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The MAGAZINE of WALL STREET

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THE MAGAZINE OF WALL STREET

A FEARLESS, FORWARD-LOOKING, FINANCIAL FORTNIGHTLY

Vol. Seventeen OCTOBER 30, 1915 No. Two

THE OUTLOOK

Some Factors Beneath the Surface of Current Financial Events

Rapid Expansion of Credit

THE increase in the outstanding loans of New York Clearing House institutions since January 1 has been $782,000,000. A large part of this expansion is accounted for by the big advances in industrial and war stocks. When a stock doubles in value the amount the banks will loan on it may not quite double, but it does not fall far short of it. And there is no doubt that more of these stocks are now being carried on margin than was the case last January.

Wherever you go you hear people talking stocks—on the subway, at the hotels, in the theaters. Every clerk in the down-town district, apparently, has a few shares of some industrial stock.

This means a great increase in the number of stock certificates carried on margin. It means a weak technical position, too. What saves the situation is, first, that both banks and brokers have throughout the bull movement insisted on big margins, and second, the phenomenal ease of money. Nevertheless, sharp reactions are not a thing of the past, as some holders of stock seem to imagine. They are to be expected, and will do the market no harm.

Business Using More Money

NOT all the big expansion of loans, however, is to be laid at the door of the buyers of stocks. Expanding business throughout the country is requiring more credit. A higher level of commodity prices makes more credit necessary just the same as a higher plane of stock prices—for borrowing on commodities, though not as general as borrowing on stocks, is nevertheless a very important factor in the industrial situation, especially among manufacturers and wholesalers.

The war order manufacturers, especially, have had to borrow heavily, owing to the suddenness with which the war business fell on them out of the clouds. In fact, the greater part of the expansion of general business credits has been so far either directly or indirectly connected with the war.

Cash and Deposits Keep Pace With Loans

IF this big loan expansion had occurred without a corresponding growth of cash and deposits it would have been cause for well-founded anxiety; but both have more than held their own. Against the above-mentioned increase of $782,000,000 in loans. New York Clearing House deposits have gained $1,880,000,000 since January 1, while total reserves have jumped more than $280,000,000. Thus the position of the banks is stronger than it was January 1, in spite of the great expansion of credits.

The whole process affords an unusually clear illustration of the way in which an overflow of gold stimulates both the stock market and general business activity. Usually this process is spread over such a long time and complicated with so many other factors that it is not readily identified. The violent forces set loose by the war have exaggerated all details so that they stand out clearly.

First comes the flow of money into the banks, swelling their cash and deposit accounts; this increases the ability of the banks to loan and therefore lowers money rates; money at two or three per cent., while investments in dividend-paying stocks are yielding six or seven per cent., induces speculators to borrow the money and use it to buy the stocks with; also, cheap and abundant money ready to be loaned encourages business men to borrow for the purpose of extending their operations. Hence an active stock market and expanding general business.

So long as reserves and deposits keep pace with loans, this is legitimate expansion. The time comes, however, when rising prices and growing trade take up all the slack in the credit position. Then reserves run low and deposits come down to the level of loans and we have passed from the period of expansion into that of inflation. At present that condition is still a long way in the future.

Foreign Exchange Again Bumps the Bumps

FROM the time when the big foreign loan began to be agitated, we have stated repeatedly that it would not prevent a falling exchange rate. The loan was scarcely enough to cover past exports, and our exports are not only keeping up but growing larger and larger. The result is that foreign exchange has already, right under the shadow of the big loan, fallen to $4.71 again.

There is talk of a special arrangement with our banks for the purpose of maintaining the rate. It is possible that some such plan may jerk the rate up temporarily, but the foreign exchange situation will not be solved because it is insoluble. Europe is buying from us more than it can pay for—that is the whole story—at least, more than it can pay for at this time. Europe cannot sell us goods in return because it is too busy fighting. It cannot send us gold enough to pay for all it is buying. The result is a low exchange rate. There is no getting away from it.

Effect of War Orders

SOME of the buyers of war order stocks are expecting big cash distributions as a result of abnormal profits. Such distributions may come, certainly. But a

far more important effect will be the permanent strengthening of the companies which have secured the orders.

The big windfall of war profits will enable the companies to pay off their indebtedness and put their plants in the best possible condition for making better profits out of their regular business when the war is over. There can be no doubt that most of these companies will seize the opportunity, which will never come again in the same way or to the same extent.

In the past industrial stocks have generally been considered by investors as more speculative than railroad stocks. War profits, if conservatively used for the permanent betterment of the plant, will put the industrials on a higher investment plane than ever before.

Position of the Railroads

THAT the railroad stocks will benefit from the gradual spread of prosperity looks like a foregone conclusion. The roads have been practising economies in every possible way and down to the smallest details. For example, the New York Central some time ago warned its clerks against using two rubber bands around rolls of papers instead of one, against leaving electric lights turned on while temporarily away from their desks, and other equally small matters. Efficiency and economy have been the watchword as never before, and the results of this policy will continue after business improves.

There are, however, considerations on the other side of the case, as always. Gross earnings may be expected to increase rapidly during coming months, but can net earnings keep up with them? A heavy business will necessitate more and better equipment, better roadbeds, enlarged terminals, etc. In the meantime, prices of all the necessary materials are high and still rising. Labor troubles will be inevitable with increased business, for workmen will demand higher wages to correspond with higher prices and the increase of general prosperity.

Net earnings have shown marked improvement this year as a result of curtailment of operating expenses. When expenses begin to rise sharply the gross may have hard work to keep ahead of them.

Higher rates are urgently needed to balance higher costs. While the roads may and probably will do considerably better than they have been doing, the rate situation still calls for correction. In the Southwest, where rate legislation has had its severest effects, is found two-thirds of the railroad mileage which is now in receivership.

Again, the roads need more capital—need it badly. Interest rates are high on long-term bonds, and railroad credit is not of the highest.

Altogether, while the position of the roads is improving there is still much to be desired.

The Prospect for Railroad Stocks

Summary of Conditions Affecting Railroad Stocks By a Recognized Authority—Why Larger Dividends Are Looked for.

By EMORY R. JOHNSON, Ph.D., Sc.D.,
Professor of Transportation and Commerce, University of Pennsylvania.

IT WAS stated that "the ebb tide in railroad affairs seems now to have ended," in an article by the writer at the end of September and printed in the October 16th issue of this magazine. That article set forth briefly the decline that had taken place in railroad earnings and railroad securities during the three years ending with the summer of the present year. The reasons assigned for believing that the traffic and receipts of the railroads had started upon the upward curve were the large crops of the present year, the continued demand in Europe for American foodstuffs, the unmistakable evidences of a great increase in activities in the iron and steel industries, the increasing demand for coal at home and abroad, and the fact that railroad companies were beginning to place relatively large orders for equipment. The article also pointed out that there were some indications of a disposition on the part of the Interstate Commerce Commission to acknowledge the need of the railroads of the country for higher rates and larger revenues than have prevailed during the past few years.

During October the stocks of industrial companies engaged in filling large munitions orders have maintained a high level, and, in spite of rather wide fluctuations, have gained strength. At the present moment, there is no evidence that the "war-order stocks" have lost their vitality. The improvement in the steel industries that has been noticeable for the past three months continues, and the recent advance in the price of all wire products gives evidence that at least some of the steel plants are beginning to reach their maximum output.

It was not to have been expected that the stocks of railroad companies would advance as rapidly as have the industrial securities. Nevertheless, the stocks of the stronger railroad companies have risen conservatively, which evidences a healthy non-speculative tone in railroad securities. The moderate rise that has taken place in the non-speculative railroad stocks probably reflects, with accuracy, the improvement in the general situation of the railroads. Indeed, a comparison of the recent months of 1915 with the corresponding months of 1913 and 1914, shows that the railroads are doing better than they were doing during like periods one and two years ago.

Moreover, the latest reports of the 1915 crops, most of which including corn, have now matured and have been gathered, show that the tonnage which the railroads will secure from the farmers will be equal to the earlier predictions, in spite of the damage done by early frosts in a part of the corn belt. The total cereal crop of the United States exceeds the crop of any preceding year, and it is probable that the market will take the entire crop. The food purchases of European countries may not exceed those of the past year, but they would hardly be much, if any, smaller. There is little prospect that Russia will be able to get her large surplus supply of wheat into the markets of western Europe, which will

necessarily be supplied by the United States, Canada, the Argentine, and Australia. More prosperous conditions at home will increase the demand for foods by the domestic market, which, together with the export trade will doubtless give vent for the entire supply of cereals in the United States.

Financiers as well as traders are carefully watching developments in the foreign trade. The export trade of the United States, though unquestionably large, continues to increase in volume, but fortunately there is evidence that some of the abnormal conditions created by the European War are being overcome. The trade in munitions is, of course, large and will be greater month by month for some time to come; and munitions, foodstuffs and other articles, now being bought by European countries in exceptional quantities on account of the war, continue to make the excess of exports over imports so large as to cause the "favorable" balance of trade to be so great as to create a serious situation as regards international exchanges, and as regards the continued enlargement of the foreign trade of the United States.

Two factors in the immediate foreign trade situation, however, are encouraging. One of these is the $500,000,000 loan to England and France. This loan, aided by credits extended to foreign banks and assisted somewhat by the $25,000,000 loan which Italy is placing in this country, will at least temporarily ease up the foreign exchange rate and enable foreign buyers to continue their purchases. At least this effect upon the exchange rate is anticipated by financiers, although it must be confessed that the response of the exchange rate to the placement of the foreign loans is not so prompt as was expected.

The second and most important of the two factors just referred to is a recent increase in imports into the United States and the more normal character of those imports. The analysis recently published by the United States Bureau of Foreign and Domestic Commerce, giving the figures for imports for the eight months of the present calendar year, shows that imports have so increased that the total for the first eight months of this year is within $120,000,000 of the total for the corresponding eight months of last year. The imports of August, 1915, were $12,000,000 in excess of the imports for that month of 1914, and it is noteworthy that there was a gain of $12,700,000 in the value of crude materials imported for use in manufacturing. For the first eight months of this year, the value of crude materials imported for manufacturing purposes was practically equal to the value of such materials for the first eight months of last year. Foreign markets, other than those at war, are trading more largely with the United States, and an increasing quantity of imports is being purchased by the United States. If the volume of imports can be made larger month by month, it will be possible for the United States to continue for some time to come the present abnormal export trade, although to do so it will be necessary to extend credit liberally to foreign buyers.

The improvement just referred to in the volume and kind of imports indicates the return of normal conditions in the industries of the United States. Not only the steel industries but manufactures generally are getting into better shape. On the whole, it may be said that the foreign trade situation and the prospects as regards domestic industries augur well for a steady, though probably not a rapid, betterment in the gross earnings of the railroads.

There is one disturbing factor and difficult problem in the present railway situation—the large mileage of lines in the hands of receivers. Nearly one-sixth of the railway mileage of the country is now being managed by the courts. This is, of course, mainly the accumulated result of the unfavorable conditions during the past three years; although it is not to be denied that the misfortunes of some of the insolvent railroads are due quite as much to the mismanagement of those who have controlled them, as to the adverse conditions which have characterized the

business of the country. About two-thirds of the insolvent railroad mileage is in the States south and west of St. Louis, and thus the bad situation is so localized as somewhat to lessen the disturbing effect which it may have on the railroad situation of the country as a whole. It is not believed that the conservatively and ably managed railways of the country need to be greatly concerned because of the ill fortune that has come to the largest companies now in the hands of receivers. Moreover, it is probable that the return of prosperous conditions will soon enable a large percentage of the railways now in the hands of receivers to work out of their present insolvent condition.

If the analysis and prediction contained in the foregoing paragraphs are accurate, investors in the stocks of railroads conservatively managed may look forward to satisfactory dividend returns and market quotations that will enable stocks to be sold at normal prices. On the whole, the railroad prospects are favorable. The future condition of the railroads will, of course, be determined mainly by the course of events connected with domestic industries and foreign trade; and, while the war continues, there must be elements of uncertainty in economic conditions in the United States.

It is significant, however, that, at the end of fifteen months of the great war, the industries and trade of the United States are, on the whole, not only in a better condition than they have been for three years, but are evidencing the return of really prosperous times. Unless, as is not probable, the railroads are prevented by the restraints and requirements of Federal and State commissions from sharing in the benefits of returning prosperity, the owners of the railroads may expect much better dividends in 1916 and 1917, than they have been getting during the past three years.

Position of Bondholders in Pending Reorganizations

ONE of the livest topics in the investment world today is the position of the bondholders in the railroads about to be reorganized. The Missouri Pacific plan has been broached and the result is a lot of "kicking." The Missouri, Kansas & Texas, Rock Island and other plans including the St. Louis & San Francisco are waiting on the reception that the security holders of Missouri Pacific give the plan presented to them. Bankers are at work on plans for all of these roads and in most instances are in large part waiting to see what the earnings and position of the various roads will be over the next few months as a result of the better business and harvests just now ripening.

Bond houses, magazines and newspapers, in fact every advisory organization have been flooded with inquiries for advice as to whether bondholders shall accept the terms offered. The advice given has been colored greatly by the individual opinion of the advisor. In the case of the Missouri Pacific there is a clear cut principle involved and the bankers have attempted to put that principle into execution, namely, to make the bond on a poor part of the road a less favorable proposition than one on a vital or good traffic producing part regardless of its legal position.

Just how well this idea will work out is yet to be seen. Advisors are somewhat at a loss to advise. Some think the legal position of the bond should hold while others are inclined to see a justice in the new idea set forth. At any rate the bondholders almost with one accord think they should be treated better and for that reason are holding out in large measure.

The big question is whether the legal position will do any better for them in a receivership and foreclosure sale and reorganization than the terms offered by bankers who have studied the situation and have advanced a voluntary plan of reorganization.

Is Prosperity Permanent?

A Broad Discussion of Its Present Basis and the Prospect for the Future.

By G. C. SELDEN

NEARLY all the usual measures of trade activity now indicate plainly the swelling tide of prosperity.

Big transactions in the stock market at rising prices show that the investor has confidence in the future.

Rapidly increasing bank clearings record the growth of business payments—and more payments mean that more goods are being exchanged.

Iron production has gained month by month throughout 1915 until a new high mark has been set for the entire history of the industry.

Exports are breaking all records.

Our stock of gold is unprecedented, and yet we are still importing gold and apparently must continue to do so.

Activity in building circles is the greatest for three years.

Business failures have been growing smaller throughout 1915 and are now below normal.

Crops are, speaking generally, decidedly above the average in condition and on a larger acreage than ever before.

Railroad earnings, though held back by the impossibility of raising rates to meet increased costs, are nevertheless showing a considerable growth.

All these signs point in the same direction—along the pleasant road of more business, better profits, increased prosperity.

Is It a Mushroom Growth?

Under such conditions it is very important that the business man as well as the investor decide whether our prosperity is to be genuine and lasting or whether it is a mushroom growth, based on war orders which are of necessity temporary, and in danger of shriveling just when it seems most flourishing.

In the first place, it is necessary to bear in mind that what we commonly call prosperity can never be permanent in the sense of remaining steadily upon a high plane without reaction. This is because of the large speculative element which enters into our conception of prosperity.

To all business men prosperity means satisfactory profits, satisfactory prices, a satisfactory volume of orders. And how many of us are ever *satisfied?* Satisfactory profits mean greater profits than could be secured if all business were on a stationary plane—they include a large element of growth. Satisfactory prices can hardly ever be obtained unless the general price-scale is rising. A satisfactory volume of orders means a decided increase over last year.

Without throwing any further burden upon that already cruelly overworked word "psychology," it is easy to see that to most of us prosperity means continual progress—and the sunshine of progress must always be interrupted from time to time by the ugly shadow of reaction.

When we ask, then, whether prosperity is permanent, what we really mean is something like this: Are we now in the early stages of a general period of growth which may be expected to continue for some years, interrupted only by minor reactions?

Let us consider how this waxing prosperity might conceivably be checked. There are four ways in which this might happen, and has in fact happened at various times in the past:

(1) High money rates.
(2) Falling commodity prices.
(3) Loss of confidence.
(4) Cessation of export demand.

These four factors are always interrelated. High money will of itself bring falling commodity prices and some degree of loss of confidence; a failing export demand will often bring lower commodity prices, and so on. But any one of the four might be the predominating influence in the checking of a prosperity wave.

Money Rates

So far as I can see, there is no possible

chance of money rates so high as to check expansion within one year from the present date, and no probability of their coming within two years, while our period of easy money might easily last much longer than two years.

It is likely that money rates are now at the minimum. In fact, they are so low that they cannot very well go much lower. Expanding business will naturally require more money, but the new Federal Reserve law has so tremendously increased the possible supply of credit that high money rates seem to be a question of the indefinite future.

The new law will without any reasonable doubt prevent extreme high rates, or "tight money," and will relegate the "money panic" to the past. But no law can prevent the rise of money rates in times of rapidly expanding credit, and we must therefore expect that the upward swing of business activity will eventually encounter the obstacle of high money, in the future as in the past.

Commodity Prices

A decline in the general price scale always accompanies business depression. Just as falling prices in the stock market mean investment liquidation, so falling commodity prices mean business liquidation.

This possible factor in checking prosperity is of particular importance now because prices are high. The general level of prices has risen nearly 30 per cent. from the low point of 1908. The tendency has been upward, with reactions, since 1894. Even since June, 1914, the rise has been nearly 16 per cent., and prices are now at the highest mark for more than a third of a century. From such very high prices a reaction might seem to be naturally in order.

The fact is, however, that the same causes which have contributed to the rise so far are not only still working, but they have been reinforced by the tremendous inflation resulting from the war. Increase in the gold supply is the most fundamental of these causes, though it is not always immediately effective, and in that direction there is no sign of lower prices. The supply of gold per capita in the United States is now greater than ever before and we are still importing heavily, in addition to a considerable production from our own mines. With the large merchandise exports resulting from the war, still more gold must come to us.

In addition to an increasing supply of gold, our new currency law provides for large issues of paper money whenever money rates rise enough to indicate that such issues are needed. This also will have an important influence toward higher prices.

Again, great wars always generate a spirit of speculation, which gradually permeates all avenues of trade, and this tends strongly toward a higher plane of prices.

I cannot see any influences which will cause any considerable decline in commodity prices for some time to come.

Confidence

Even though money and trade conditions in general appear to be favorable, expanding business has sometimes been checked by loss of confidence among business leaders resulting from political conditions or the state of public opinion. This factor had considerable influence during 1910-13 and its effects have perhaps not yet been entirely disposed of.

It seems clear, however, that public opinion is now more favorable towards big business enterprises than at any previous time since 1907. Anti-trust prosecutions have in some cases already accomplished their object and in others are being allowed to languish. The public is beginning to understand the difficulties of the railroads and to favor giving them a fair chance.

While it is always hazardous to attempt to forecast public sentiment, it seems reasonable to expect greater confidence among business men during the next few years, rather than less.

Exports

Our phenomenal exports to Europe as a result of the war have been the leading influence in trade revival. How long will they continue?

For the rest of 1915 they are certain to be very large. In the first half of 1916 exports will probably be somewhat less than in 1915, because the Allies will make every effort to supply the requirements of their armies at home; but a heavy export movement is nevertheless entirely probable.

When we come to the second half of 1916, the question becomes complicated. Will the war continue? If it does continue, will the Allies be able to keep on buying from us? If it ends, will our exports be immediately checked?

In the nature of the case these questions cannot be answered definitely. I can scarcely do more, in this condensed review of the situation, than state my own opinion that if the war continues the resources of the Allies will not be exhausted before the end of 1916. The end of the war may be expected to bring a halt in the outgo of war supplies and a sad flattening out of the boom in the "war stocks," but this may be in part counterbalanced by a demand for other materials generated by the extensive rebuilding which must follow peace.

After the War

So far as can now be determined there is nothing to administer any decisive check to the upswing in business until some months after the war is over, or until the end of 1916 if the war should continue.

When we try to penetrate still further into the future the outlook becomes more and more hazy. Certain things, however, we can discern with some definiteness.

The result of the war must be a great strengthening of the financial position of this country, because we are becoming in part a lending, instead of exclusively a borrowing nation. Our interest payments abroad will be much reduced and may be nearly balanced by our interest receipts from abroad. We shall also be in a much better position to develop our export trade.

The beneficial effects of our new currency law will not end with the war. Exemption from "money panics," increase of credit facilities and elasticity of the currency will go far towards permitting a broad trade expansion which, interrupted by minor reactions, may last for a decade.

Since 1906 we have had only brief intervals of really satisfactory business conditions. The general tendency has hovered between reaction and depression, with occasional spasms of activity. Trade has not kept up with the growth of our population and resources. It is time for a long swing in the other direction. The efficiency and productivity of our industrial machine is now far greater than ever before. We cannot hope to be exempt from occasional reactions, but there is no reason to doubt that we shall reach new heights of prosperity within the decade to come.

S*PECULATION* and *investment* are actuated by the same motive: *desire for gain*, and the difference between them is the difference in degree of risk willing to be assumed. This risk finds its most patent expression in the ratio of current return expected of the capital.—*Lawrence Chamberlain*.

FRENCH AND BRITISH CREDIT

How It Has Fluctuated For One Hundred Years

IN connection with the offering of the new foreign loan the bankers who have underwritten the issue have made up a very interesting graphic showing the general fluctuations of English-French credit since 1800.

The bonds now being sold run for five years only and the rate is 5 per cent. As they are offered to the public at 98 and interest, the yield is nearly 5½ per cent. The holder also has the option, at any time previous to April 15, 1920 (or after that date if notice has been given beforehand) of converting the five-year bonds into 15-25 year joint and several 4½ per cent bonds of Great Britain and France.

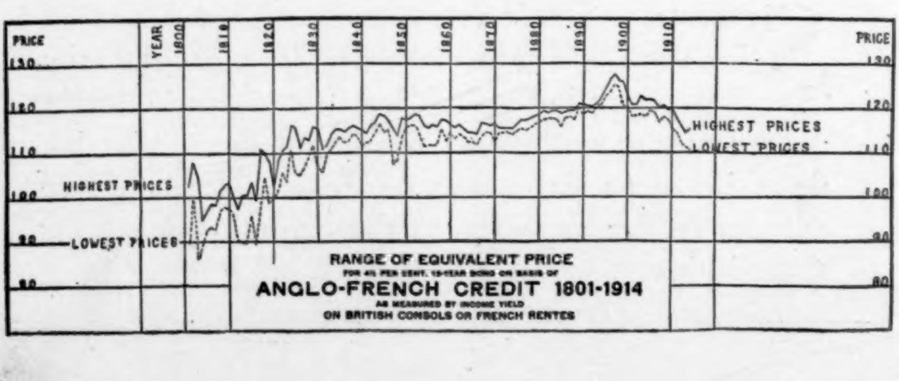
The graphic shows the prices at which these joint and several 4½ per cent bonds *would have sold,* if they had been in existence, from 1800 to July 30, 1914. This is arrived at by taking the high and low price each year of either British consols or French rentes, whichever one averaged the highest, as a basis of Anglo-French credit; for since the bonds are not only joint, but joint *and several* obligations of the two governments, they would have sold at prices based on *either* consols or rentes, whichever sold the highest at the time.

It is to be borne in mind that two elements enter into this line of credit as shown on the graphic—the credit standing of the two governments and the prevailing rate of interest. For example, the very low state of the credit of the two governments from 1804 to 1816 was due chiefly to the Napoleonic Wars; but the very high credit between 1890 and 1900 was due to the low interest rates resulting from accumulation of capital.

Likewise the decline from about 1898 to 1910 was due far more to increasing demands for capital than to any change in the credit standing of France and England. From 1910 on it is probable that increasing armaments and frequent tension among the great European nations had a very important share in the decline of their credit.

During the entire period of 114 years the only upheaval in any way comparable with the present European war was the Napoleonic wars of 1801 to 1816. Yet the differences between the two are probably more important than their similarities. The mere fact that the Napoleonic wars lasted 15 years puts the whole situation at that time on a quite different basis from that of the present war. In a period of 15 years are necessarily included many opportunities for recuperation. In the present war no such thing as recuperation is possible—destruction is not only enormous but also continuous.

It is especially interesting to note that the low point of British-French credit during the Napoleonic wars was in 1804—or when the long contest was only about one-fifth over. Yet in view of the tremendous differences between that time and the present, it is questionable whether that fact can be depended upon as a "historical parallel."



MONEY-BANKING-BUSINESS

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

A Time for Courage and Confidence—or Caution?

THAT is the question that is in the back of everybody's mind. Ever since the war broke out, many bankers and business leaders have impressed upon us the necessity of caution. We have been told a hundred times about the terrible destruction of the world's capital and that America must necessarily suffer with Europe. So far these cautious advisors have been wrong—dead wrong; yet they may be right in the end.

Thus Charles S. Hamlin, Governor of the Federal Reserve Board, said recently to the Indiana Bankers' Association:

There is a tendency in this country toward unwarranted speculative activity. Bankers should do their utmost to discourage it and head it off. Unless it is stopped it will develop into a bubble just like all other wild speculative bubbles of the past, and the bubble will burst as sure as fate. There is no justification for the wild speculation now evident.

William F. Fitzgerald, of Boston, states the other side of the case—the optimistic side:

There are some of us who believe that the present advance in prices is not only warranted, but that fundamentals are such as to warrant much higher prices and greater expansion, and of necessity more speculation.

This country is confronted with a condition that requires exceptional handling to take advantage of what is offered us. Confidence is the thing that is most needed; everything else is ours.

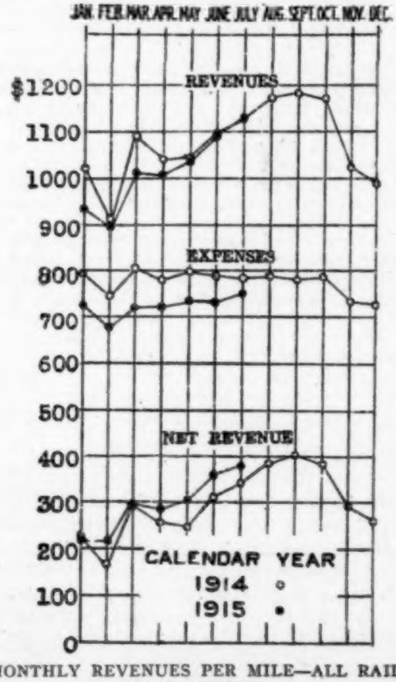
A famine in steel is certain. This country is bare in every department; railroads have not bought for their ordinary requirements, let alone the expansion that should have been going on for the last three years to keep pace with the growth of the country; for the last 15 months an average of 8,000,000 tons a year of steel which Germany has been exporting has been cut off; the French iron and steel industries are in the hands of the Germans. The need for immense replacement throughout Europe when the war ceases will further make the steel situation peculiarly sound.

The war business is but an incident as far as this country is concerned. The panic of 1907, the depression of 1910-11 and the collapse of 1913 and 1914 have put this country in such shape that it is going to be difficult to supply its own needs, let alone taking care of the needs of Asia, Africa, Australia, South America and Europe. Ninety per cent. of the business of the United States will be within its own confines. The closing of the war would be the greatest blessing from a business standpoint that could possibly happen.

* * *

"Everything to Make Good Times"—Vail.

THEODORE N. VAIL, President of the American Telephone & Telegraph Co., discusses Wall Street's place in the growth of business with his usual impartiality and breadth of view.



MONTHLY REVENUES PER MILE—ALL RAILROADS IN U. S.

The sudden ups and downs of the stock market, in these days, should not be permitted to affect the procedure of the average citizen or color his outlook upon life.

We want to stop worrying, if we can, about speculative stock prices, and devote our attention to seeing to it that the values behind the stocks are real.

Fully half our panics have been results of overspeculation in railroad and other stocks; but the speculators could be wiped out forever without having any destructive effect upon the actual railroads.

If we could keep our business down to a basis of actuality there would be no more panics, for, really, we are a growingly prosperous people.

What we must avoid is anything which is actually destructive of our means of intercommunication and transportation, for on them our national life depends.

Stocks, produce, and other exchanges, commonly known as Wall Street, have a tremendous legitimate field of usefulness. Business cannot be conducted on a large scale, as we must conduct it, without liquid capital, and liquid capital when not employed quickly eats up the profits of business. It is through Wall Street and other exchange centers that capital which otherwise would be locked up can be invested in such ways that, in time of need, it readily can be realized upon.

If a business man needs capital to take care of his actual business and finds his own tied up in a mortgage, for example, it will not be liquid, readily and quickly flowing from one use to another. It may take time which he cannot afford to negotiate that mortgage. But if he has his surplus capital in stocks and bonds it truly is in a liquid state, for upon them he can realize, or borrow money, as needs be, because of their definite market provided and organized for dealing in them.

We have everything here with which to make good times, and nothing here except unwise politicians to make bad times. Sensible, not sensational, business legislation is what we need. If, as a nation, we could get over the bargain-counter habit we should be doing very well indeed.

* * *

"America Needs American Savings."

SO says E. S. Meade, Professor of Finance at the University of Pennsylvania. He is not impressed by our opportunity to enter the broad field of international finance:

We have to choose between foreign investment and domestic investment, between keeping our capital—that is, our products—at home, to give employment to our own people in developing the resources of our own country, or of sending this capital

THE WOODPECKER
St. Louis Star

abroad to employ foreign labor and develop the resources of foreign lands.

Instead of sending our billions of dollars to build up ruined industries of Europe and refund their astounding war debts, we should devote them to problems of American internal department, highways railroads, canalization, river and water power development, irrigation and drainage, soil improvement (upon which depends the reduction of cost of living), urban transportation and its correlated housing problem. American development is crying for all American savings.

If these foreign loans to European governments and corporations are promoted, it is difficult to overstate the damage which will be inflicted upon the interests of this country. A flood of European bonds in the American market will seriously depress the prices of American securities. The results will be disastrous.

In the meantime, Italy is the latest applicant, having just borrowed $25,000,000 on one-year notes.

* * *

Bankers Still Trying to "Stabilize Exchange."

SOME $50,000,000 more British gold has arrived at New York, or is definitely on the way. The curious feature about this shipment is that it was first sent to Ottawa, held there until the big loan was negotiated, and then forwarded to New York. It is clear that the British Treasury waited to see whether the loan would

A REGULAR CLOUDBURST
Wisconsin State Journal

"stabilize exchange." It did not, and so the gold had to come forward.

Bradstreet's says that further efforts are under way:

The credit created by the $500,000,000 loan is not sufficient to hold up exchange quotations. Plans to meet this situation have been discussed, among them being one submitted by New York bankers to the foreign delegates, the substance of which is that London and New York banks shall cooperate in the establishment of a large credit at New York against which ninety-day acceptances in dollars, with the privilege of two renewals, may be drawn against exports of American grain and cotton. Under such an arrangement, it is believed, from $250,000,000 to $300,000,000 of bills would readily be created and carried by banks in this country, the time feature therein being an element which would tend to relieve the foreign exchange situation from the pressure of drawings based on commercial transactions, and would, moreover, facilitate the steady export movement of grain and cotton. Intimations are current that Sir Edward Holden, one of the British commissioners who returns to London forthwith, is to submit the foregoing and other suggestions to the leading London bankers. The necessity of some measure of this kind is patent, though the working out of a plan satisfactory to all the commercial and banking interests involved presents considerable difficulty.

* * *

We Are Sending Goods—Not Exchange.

WE have several times pointed out that it is absurd to speak of the big foreign loan as an "exchange operation." Such expressions merely befog the real situation. The *Journal of Commerce* brings out the same idea in its editorial columns :

The real basis of error in all the current talk about "controlling the exchanges," and with reference to the supposed purpose of foreign loans intended to accomplish that end, is the failure to recognize the economic fact that what is actually borrowed is capital in its material forms and not money or "exchange."

England cannot herself produce the particular kinds of goods she is buying abroad and probably could not get them in desired quantities anywhere except in this market. She must, therefore, if she wants them, get them and arrange to pay for them, here. If unable to pay in other goods, she must get credit here on such terms as are available. Those terms are ascertained by a comparison of the supply of and demand for capital as in other cases, and by a consideration of the relative credit of various borrowers.

The United States has a more than ample field of domestic use for all its available capital; for, until the beginning of the European war, it regularly borrowed considerable sums abroad and used them in the extension of home industry. To divert these sums into foreign channels those who want the use of the resources must pay what will induce their owners to part with them; in other words, pay the American rate of interest.

This is not an "exchange operation" in any except a forced sense. The fall of exchange showed the difficulty of continuing to make commercial payments here and the consequent necessity of funding the current indebtedness—as has now been done.

What will be the result of this operation? Exports are still enormous and apparently increasing. Exchange is certainly not normal and shows no signs of becoming so in the near future.

* * *

The Future of Stocks and Bonds.

A CHEERING development of the last few weeks has been the active bond market at somewhat better prices. Investment houses report that some of their clients who have made large profits in stocks are now transferring some of their money into bonds. Varied views on investment conditions:

National City Bank of Chicago: Investment confidence is returning. There is good reason to believe that a considerable portion of the $181,000,000 which will be disbursed

this month for October dividend and interest payments will be reinvested. There is a very large surplus in the hands of institutions and individuals which will be fully reinvested as soon as the owners of this fund become reassured about the future. The investment demand is discriminating and people, as a rule, are buying very good securities. The railroads and industrial corporations have put out relatively few securities during the last six months. Municipalities, on the other hand, have floated much larger aggregate loans than in the corresponding months last year.

The speculation that is being conducted in war stocks has probably gone too far in many instances, although many of the reports of extravagant profits from war orders would seem to be justified by the large sums earned and disbursed in the form of special or increased dividends by the corporations engaged in such work. The public, as a whole, however, is disinclined to speculate in any large way.

Knauth, Nachod & Kuhne: There has been a decided expansion in bond trading, and in addition to very large purchases of foreign-owned American securities, there has been of late public absorption of high-grade bonds on a considerable scale. These dealings have been only partially represented by the increased trading on the Stock Exchange, which, however, has assumed large proportions. For the last few weeks the total of bond transactions on the Stock Exchange has averaged $25,000,000 a week. This was about double the volume of business handled on the Exchange in the same week of 1913 and 1912. But the bond business as a whole—taking in the transactions on the Stock Exchange and those at private sale—has increased materially within the last month, much of the buying representing pure investment purchases. This is a good sign and shows that the closing quarter of the year just begun is likely to be the most interesting three-month period of the whole investment year. One of the most marvelous features of the movement continues to be the ease with which sales of American securities by Europe are being absorbed. The liquidation will probably continue, in a measure at least, while the war lasts; but it is causing no apprehension and there is no reason to fear future disturbance from it. A good portion of the securities returned by Europe within the last year—and the total liquidation has been variously estimated at from $750,000,000 to $1,000,000,000—has been taken by the great life insurance companies and other investment institutions. This buying has been of the best and indicates that the securities will not come upon the market again for months if not for years to come.

Hayden, Stone & Co.: We do not, by any means, believe that there has been any such undue inflation as many alarmists would have us believe; on the contrary, we are strongly of the opinion that the case of the inflated value is the exception and not the rule. There are plenty of companies whose business and prospects warrant, no doubt, even higher values; the elimination of false values would but enhance the truth.

The prediction of a shortage in railroad equipment bids fair to become true. It has been several years since 100,000 cars have been taken off the idle list and put into active service in one month. There can no longer be any question that the great improvement in business, predicated by advancing prices, is taking place.

Chisholm & Chapman: Few people realize how great the advance in the war stocks has been, but it has been figured out that the active listed and unlisted war issues traded in on the New York markets have increased in market value since December, 1914, a total of $866,000,000. When we consider that the total war orders have never been placed at as high a figure as that, we can readily realize the size of the inflated bubble that is rapidly being built up by hopes of fabulous profits. It is no longer conservative nor do we believe it profitable to buy into these war stocks at present prices, for already they have discounted any profits that may accrue to the stockholders. There is no question but that a number of them will sell still higher and one is lucky if he buys the one that is moving at that moment, but some day there will be a terrible reckoning and "Wall Street" will be blamed for these speculative excesses.

J. S. Bache & Co.: With optimism in business and in financial quarters prevailing, an

A MERRY SAIL

St. Paul Daily News

undiminished supply of funds throughout the country eager for profit, the country's products and many of its manufactures in overwhelming demand from abroad, an enormous harvest and a nation at peace with the world, it is reasonable to believe that the bull market will continue its interesting, and sometimes exciting journey, with the usual alternation of setbacks and recoveries and with here and there a pronounced jolt, which happenings are the usual accompaniments of such a progress.

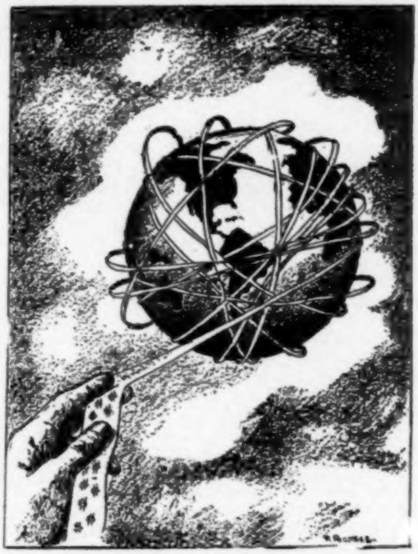
Schmidt & Gallatin: To some extent the conditions prevailing in 1901 seem to be repeating themselves. The great speculation of that period ended with the capitalization of fourteen or fifteen years of expected future profits, and the public holding the bag. While the trend of the market is still upward, commitments should only be made on ample margin and in the more stable railroad and industrial stocks.

A. A. Housman & Co.: The railroad shares will be the next to reflect a prosperity which has already been so heavily discounted in the industrials. It is logical and inevitable. The railroad list offers a safe and unlimited outlet for a public speculation which obviously is far from having spent itself.

We have yet to see the effects of the rate increase upon the operating ratios of the railroads, and we are going to witness them on a rising tide of tonnage. It will be something well worth watching. Better still, it is something that can be anticipated with great profit. We especially recommend for purposes of speculation the low priced railroad issues, preferably the reorganized ones, for two reasons, namely, that they can have the largest per centum of rise and that those who buy into such securities now are putting their money in on almost the bankers' own terms.

"Jasper," in Leslie's Weekly: With an experience of more than a quarter of a century in Wall Street, I have been led to believe that when the market takes the bit in its teeth and starts on a runaway course, it cannot be halted until some extraordinary event occasions a serious setback. After the famous bull market which culminated in 1901, the collapse came with the Northern Pacific corner. The wild bull market of 1906 expanded until the banks could stand the strain no longer. When call money jumped to 40 per cent., the market broke.

As long as the public is eager to gamble in stocks, the bulls will have the better of the situation. The sudden cessation of the war would, of course, give a violent shake-up to the war-order stocks and it is possible that the much-talked-of new steel and iron combination, which I foreshadowed some time ago, may rise to such proportions as to take the vim out of the bull movement in Steel common and in Republic Iron and Steel.



WOUND UP IN IT
Wall St. Journal

A Hard Market for Bucket Shops.

THE prolonged bull market, supplemented by the activities of the New York Stock Exchange, has put some of the biggest strings of private wire bucket shops out of business. As their customers were nearly all long, the bucket shops have been getting decidedly the worst of it in taking the other end of the trades. W. C. Van Antwerp, Chairman of the Quotation Committee of the Stock Exchange, comments as follows:

The New York Stock Exchange has done what it could to help rid the country of bucket shops and the total number closed since January 1 is 236, operated in thirteen states and in Canada. Now that they have been driven out, the important thing to do is to keep them out. In this work the Exchange asks the support of public opinion, the courts, the legislators, the Public Service Commission and the press.

* * *

Prospects for New Steel Combination.

THE possibilities and limitations of big combinations, both legally and industrially, are much better understood than they were when the U.

S. Steel Corporation was formed. Rumors of a big rival merger have been circulating for some months. H. P. Taylor & Co. summarize the present situation:

Wall Street speculators insist that the purchase of the old Midvale Steel Company and the smaller concerns above mentioned by the Corey-Dinkey-Vanderlip-Rockefeller Co. is merely preliminary to a merger with the Bethlehem Steel Co. and that the merged concerns will then absorb the Pennsylvania Steel Co., the Cambria Steel Co., the Lackawanna Steel Co., the Allis-Chalmers Mfg. Co. and the American Car & Foundry Co. As if this would not exhaust the enthusiasm and the resources of the consolidators, it is hinted that eventually overtures will be made also to the Republic Iron & Steel Co., the Crucible Steel Co., Jones & Laughlins and any other desirable steel interests now outside of the U. S. Steel Corporation.

There is of course occasion for extreme scepticism as to the gossip of such an extraordinary speculative market as Wall Street is now the center of. Some of the companies which we have mentioned as figuring in the gigantic merger gossip have taken occasion to announce through their executive officials that they are not contemplating going into any combination and have not even been approached in regard to the matter.

The country will probably witness in the next two or three years steel production on a scale never before dreamed of. Not only expansion of domestic trade of every kind, but the urgent demand from foreign markets, hitherto closed to us, makes this seem a reasonable expectation. We may safely assume, therefore, that there will be more than one great steel corporation in the United States in the not distant future.

Attorney General Gregory has not been slow to sound a public warning, but all he assumes to do is to assure the country that "combinations of independent steel companies will be subject to close scrutiny by the Department of Justice," and that nothing which would threaten the elimination of competition in the steel industry will be allowed by the government to go unchallenged.

British Embargo on Steel Exports?

THE price of pig iron has risen about $2.25 a ton since March. This is a very moderate rise, considering the fact that iron production is now at a new high record level. There have been recent reports that Great Britain would place an embargo on her steel exports. Such a move would undoubtedly boom our markets here.

Iron Age: The pig-iron market has responded rather slowly to the great activity and strength of steel products, but it now seems the slack is to be taken up.

Southern furnaces are so well sold up that a recent export inquiry for 2,000 tons of No. 2 soft could not be placed. Rising prices of pig iron have not brought out offers from holders of speculative iron. Large blocks held at Buffalo, Cincinnati and elsewhere will evidently not be peddled out until the market has gone considerably higher.

Railroads are not only buying rails for 1916, but quite a number of systems are in the market for an aggregate of about 36,000 steel cars for early delivery, and are also pressing contracts for needed bridge work.

John A. Topping, chairman of the board of directors of the Republic Iron & Steel Company: General steel trade conditions are improving. Railroads, implement makers, building trades and other lines are apparently feeling the stimulus of good crops and cheap money. There is every evidence that more nearly normal trade conditions in general lines will soon obtain, and unquestionably these normal trade demands, coming to supplement extraordinary demands for war purposes, will insure great activity, at least while the war lasts. It would have been most unfortunate for general industry and labor to have developed a runaway situation, either in labor rates or commodity prices.

As to the latter, there is no immediate danger, since ordinary steel prices are yet far below the 1907 level, whereas labor rates are now higher than in 1907.

Predicts Prosperity for Railroads

After making an exhaustive study of the present business conditions, Mr. J. Frank Howell, 52 Broadway, New York, member of the Consolidated Stock Exchange, has reached the conclusion that the railroads will be one of the principal beneficiaries. He says:

"I predict that in the next three months some of the best railroad statements that have been made in years will be published. Already a large number of eastern roads are known to have earned more gross and net in August and September than they ever earned before. Not only does the comparison with a year ago favor them, but from now on their gross will be in excess of 1913, notwithstanding the movement of wheat to market has been delayed by wet weather and by a shrinkage in the export demand."

Business Expansion Continues

New Highs for Commodity Prices, Iron Production and Bank Clearings

FOR the first time in months it is possible to chronicle a little greater activity in the money market, although rates have not yet been affected. Commercial paper is moving more freely. Money rates have been scratching along the bottom for a long time, and some slight stiffening is probable this fall, but no important change is in sight. There is no change in the condition of the banks that would warrant materially higher rates for money. Both surplus reserves and excess deposits are unprecedentedly large.

A notable change is the rise of commodity prices to new high levels in both America and England. The *Bradstreet* figure touches a new high mark of 9 98 for October 1, against a previous high of 9.86 in July, while the leading English index has, after six months of hesitation, overtopped its previous high of last April. "War prices" is, of course, the answer. Rising commodity prices always act as a distinct stimulant to business expansion.

September bank clearings also struck a new high record, owing to the big clearings in New York City. The clearings outside New York have been exceeded by numerous other months in 1912, 1913, 1914 and 1915, but never in any previous September. September is not ordinarily a month of big clearings. They indicate that general business is now about normal. They do not represent boom times, but if the rapid rise of September is continued we shall soon be in sight of boom times.

Net gold imports of $100,000,000 in August and September, and now continuing at the same rate for October, mean a big enlargement of the base for credit expansion. Under such conditions it is useless to talk about much advance in money rates. Credit must continue abnormally easy. The reason for the gold imports is seen in the big export balance of trade, which is still growing.

Building operations are not quite up to normal, but show decided improvement over recent Septembers. Business failures are very small, as they have been for the last five months. They show a sound and healthy condition throughout the country.

Iron production is at a new high record, but the price of iron has risen comparatively little as yet. U. S. Steel unfilled orders also are so far only about two-thirds what they were at the high point of 1912. Copper is firm near top prices. Taken together, the statistics plainly indicate further expansion.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks.	Per cent. Cash to Deposits, New York Clearinghouse Banks.*	Per cent. Loans to Deposits, New York Clearinghouse Banks.*	Bradst's Index of Commodity Pcs.	English Index of Commodity Pcs.
October, 1915..........	3¼	5	19.0	91.8	9.98	3,336
September, 1915	3⅜	5	20.4	91.7	9.79	3,296
August, 1915..........	3⅜	5	19.9	93.5	9.81	3,281
October, 1914.........	6½	5⅜	25.2	102.8	9.24	2,780
" 1913.........	5¾	5	25.6	101.1	9.15	2,714
" 1912.........	6	4¼	25.4	100.3	9.45	2,740
" 1911.........	4½	4¼	25.9	98.5	8.80	2,593

*Affected by the new Federal Reserve System.

	Total Bank Clearings of U. S. (Millions)	Bank Clearings of U. S. Excluding N. Y. City (Millions)	Balance of Gold Movements —Imports or Exports (Thousands)	Balance of Trade —Imports or Exports (Thousands)	Building Operations, Twenty Cities (Thousands)	Business Failures, Total Liabilities (Thousands)
September, 1915..	$15,759	$6,135	Im. $40,008	Ex. $146,343	$42,971	$14,740
August, 1915.....	14,267	5,730	Im. 60,480	Ex. 120,246	44,269	15,017
September, 1914..	10,027	5,398	Ex. 19,125	Ex. 16,342	33,932	27,394
" 1913..	13,446	5,991	Ex. 4,130	Ex. 47,155	39,073	19,343
" 1912..	13,076	5,643	Ex. 3,632	Ex. 54,858	36,827	19,464
" 1911..	12,606	5,421	Ex. 2,351	Ex. 70,627	46,562	14,412

	Wholesale Price of Pig Iron.	Production of Iron (Tons) (Thous'ds).	U. S. Steel Co. Unfilled Tonnage (Thous'ds)†.	Price of Electro. Copper Cents.	Crop Conditions. Spring Wheat.	Corn.	Cotton.	Babson's Bond Average.
October, 1915.......	$14.40	.....	.....	18.0	....	79.7	....	88.1
September, 1915.....	14.09	2,850	5,317	17.5	94.6	78.8	60.8	86.6
August, 1915........	13.90	2,779	4,908	16.9	93.4	79.5	69.2	87.2
October, 1914.......	12.90	1,883*	3,787*	11.3	68.0*	72.9	73.5*	....
" 1913.......	14.35	2,505*	5,003*	16.3	75.3*	65.3	64.1*	91.8
" 1912.......	16.80	2,463*	6,551*	17.3	90.8*	82.2	69.6*	96.2
" 1911.......	13.25	1,977*	3,611*	12.1	56.7*	70.4	71.1*	97.6

*September. †Last day of month.

BOND DEPARTMENT

THE BOND INDEX

Classifying Listed Railroad Bonds With Speculative Possibilities—Pointers for the Investor for Profit

By WILLIAM RUTGER BRITTON

PUBLIC SENTIMENT towards steam railroads is improving and so are railroad net earnings. Great cereal harvests are promised and the corn and wheat carrying roads expect tremendous earnings. The feeling is spreading that railroad credit must so improve that money can be borrowed to finance improvements and extensions so the railroad facilities can expand and provide for a great industrial boom.

On the exchanges, railroad stocks have advanced in sympathy with industrial issues. Many sound steam railroad bonds have shared the improvement. But there are many speculative bonds, or the obligations of companies with low credit, that may afford large ultimate profits to present buyers. This article is not a prediction that such bonds are cheap, but an attempt to discuss a type of speculative steam railroad bond listed on the New York Stock Exchange that when the favorable change finally comes are apt to show considerable advance in price. The type of bonds here discussed should not be purchased for investment, but for speculation. Has the time arrived? That is the uncertain factor.

Let us examine the New York Stock Exchange daily official quotation sheet. The first mentioned Ann Arbor first 4s of 1995. They are selling in the neighborhood of 60. They are a first mortgage at less than $25,000 a mile on about 300 miles of railroad and have paid interest charges promptly about 20 years.

The next bond on the list that appears to have speculative possibilities are Baltimore & Ohio convertible 4½s of 1933, now selling about 90. These bonds are really unsecured debentures and are convertible into common stock at 110 until March 1, 1923. They are followed by $60,000,000 of preferred stock paying 4 per cent. and $152,300,000 of common stock paying 6 per cent. The Baltimore & Ohio Railroad serves a wide industrial area and reviving prosperity should greatly enhance the market value of its common stock.

Speaking of Baltimore & Ohio issues, the writer would suggest for investment the purchase of the prior lien 3½s and the Southwestern Division 3½s. Both are first mortgage main line bonds and both mature in 1925, or 10 years hence. This is a very desirable maturity and both issues gradually should advance to 100. These are regarded as two of the safest and most desirable steam railroad main line bonds in America. They yield close to 5 per cent.

Passing down the list the next cheap bonds of a semi-speculative character appear to be Central of Georgia consolidated 5s of 1945. Wise men of a former generation considered these bonds veritible bargains at 107. They are actually a first mortgage on 600 miles of railroad, a second mortgage on 550 miles of railroad and are further secured by a lien on a very large amount of property. This railroad is owned by the Illinois Central and was in operation before the Civil War. The terminals in Savannah and other important Southeastern cities are very extensive and valuable. When cotton moves freely and prosperity abounds in the South these bonds should not be selling at 98.

Chesapeake & Ohio convertible 4½s of 1930, now selling about 80, appear to be the next attractive speculative issue. They are an unsecured credit obligation of the company and are convertible into

its stock at 100 prior to February 1, 1920. So, with the prospects good for advancing prices of railroad stocks, these bonds can easily sell at 100 during the next five years.

Now we come to the bonds of a company operated by receivers, the Chicago & Eastern Illinois. Every bond of this company has defaulted, but persons speculatively inclined should consider Chicago & Eastern Illinois first consolidated 6s of 1934, now selling slightly under 100. There are about $2,500,000 of these bonds outstanding and they are a first lien on 100 miles of main line from Danville to Dolton, Illinois, constituting the company's double-tracked main line from Dolton, near Chicago to the important city of Danville. These bonds are followed by $6,000,000 of receivers' certificates and $39,000,000 of bonds. Formerly these first sixes were recommended as great bargains at 125 and some time people will say: "Once Chicago & Eastern Illinois first 6s could have been bought as low as 99."

Besides the first 6s, there are about $21,000,000 of Chicago & Eastern Illinois general 5s of 1937, now offered at about 65. These bonds are a mortgage on 1,000 miles of railroad, being a first mortgage on some 450 miles of railroad. These bonds underlie $6,000,000 of receivers' certificates and $26,000,000 of bonds.

The Chicago & Alton has had a romantic history and its refunding 3s are selling about 50 cents on the dollar and actually are paying interest. These bonds are a first mortgage on about 600 miles of railroad extending from Joliet to East St. Louis, and also are a mortgage on considerable other property. They are followed by $22,000,000 of Chicago & Alton 3½s and some $20,000,000 of 6 per cent. debentures, all owned by Kuhn, Loeb & Co. and the Union Pacific. It is not supposed that important interests like these are investing millions of dollars in junior securities without good reason, so Chicago & Alton 3s and perhaps some of the junior securities may prove great bargains.

Chicago & Great Western first 4s of 1959 are offered on the New York Stock Exchange at 69. There are $25,000,000 outstanding and they are a first mortgage on 750 miles of railroad from Chicago to St. Paul and Kansas City, and practically a first mortgage on 275 miles of additional mileage.

In the Chicago, Rock Island & Pacific System there are undoubtedly several great bargains. The general 4s of 1988 were formerly a favorite investment and sold at 110, but now are offered about 82 on the New York Stock Exchange. Although receivers operate this property, no defaults have taken place on any of the company's bonds, and none is anticipated on the general 4s. The latter are a first mortgage on all property of the company as it existed some 10 years ago, except for the lien of $12,500,000 of first 6s of 1917. The general 4s should prove a good and cheap permanent investment.

Chicago, Rock Island & Pacific first and refunding 4s of 1934 are offered on the New York Stock Exchange at 65. There are $95,000,000 outstanding and they are a first mortgage, direct or by collaterial lien; on 1,150 miles of railroad; a second mortgage on 3,500 miles of railroad, and a mortgage on considerable other property. Should these first and refunding 4s emerge undisturbed from the receivership, they should show a profit if purchased at present prices.

There are some other cheap bonds in the Chicago, Rock Island & Pacific list. There are three series of the "Choctaw collateral trust 4s" still outstanding, due $1,494,000 annually, May 1, 1916, 1917 and 1918. Originally $24,000,000 of these bonds were issued, secured by all outstanding stock of the Choctaw, Oklahoma & Gulf Railroad. The same collateral remains intact until the last bonds of this series have matured. So collateral once considered worth more than $24,000,000 now is security for $4,500,000 of bonds. The three series of bonds as yet unmatured are unquestionably safe investments and when offered on the New York Stock Exchange at attractive prices—say to yield 6 per cent. or more—should be purchased by people desiring good short term investments.

There are $11,000,000 of Rock Island,

Arkansas & Louisiana first 4½s of 1934, and they are offered on the New York Stock Exchange at 51. These bonds are a first mortgage on 330 miles of railroad at $33,300 a mile giving the Rock Island System an entrance to southern Louisiana. At the offered price of 50 cents on the dollar these bonds do not appear dear if bought for speculation.

Keokuk & Des Moines first 5s are offered on the New York Stock Exchange at 60. They are dated 1878 and due 1923 and are a first mortgage at $18,200 a mile on 162 miles of railroad between Keokuk and Des Moines, Iowa. These bonds are guaranteed principal and interest by the Chicago, Rock Island & Pacific Railway Co., but the value of this mileage is problematic.

Chicago, Terre Haute & Southeastern first and refunding 5s are offered on the New York Stock Exchange at 80. These bonds are a first mortgage on 115 miles of railroad between Chicago Heights and the Illinois-Indiana State Line and a general mortgage on the balance of the company's property consisting of some 225 miles of railroad. This company is an important coal carrier into the Chicago district and a reviving demand for coal should increase the company's earnings. For the fiscal year ended June 30, 1915, there was a surplus of $20,000 after payment of interest and other charges.

Cleveland, Cincinnati, Chicago & St. Louis, known as the "Big Four," has a number of bonds listed on the New York Stock Exchange. This railroad is owned by the Vanderbilt system but is not so important or valuable a property as the Lake Shore or the Michigan Central. Earnings of the "Big Four" have improved.

"Big Four" St. Louis Division collateral trust 4s of 1990 are offered at 76. There are $9,750,000 outstanding and they are secured by certain bonds which make the latter practically a first mortgage. The mileage covered extends from Terre Haute to East St. Louis and constitutes the New York Central System's main line to St. Louis, an important part of that system.

"Big Four" Springfield & Columbus first 4s of 1940 are offered at 80 on the New York Stock Exchange. This mileage is the main line between Springfield and Columbus. There are only about $1,000,000 of these bonds outstanding and they are a first mortgage at $25,000 a mile.

(*To be continued.*)

Bond Inquiries

Buying Short-Term Bonds on Margin

Will you kindly inform me of two or three good 5 per cent. bonds, maturing in two or three years, which, in your opinion, are well secured so far as principal and interest are concerned, which bonds are to be bought at an attractive figure and on a marginal basis. —D. S.

There are many issues of short term notes maturing in the next two or three years. Eastern Power & Light 5 year 5 per cent. convertible bonds, which earned about 2½ times interest charges for the year ended May 31, 1915, can be bought to yield about 6½ per cent. Kanawha Traction & Electric 2 year 5 per cent. gold notes due June 15, 1917, can be bought at about 98¼.

With regard to purchasing these or any similar securities on a marginal basis, we believe that the best thing to do is to select the bonds or notes which you wish to buy, and inquire if your own bank will loan upon them, and if so, purchase the securities outright and secure a loan at your bank.

N. Y. Central Debentures

I should like to know if N. Y. Central Con. Deb. 6s at 106 are not selling out of line with their intrinsic value? Considering them as a sort of preferred stock, and then comparing them with Baltimore & Ohio preferred and St. Paul preferred, both of whose common stocks sell 10 points less than N. Y. Central stock, their logical price should be from 112 to 120, without counting the conversion value.—F. W.

New York Central debentures are a comparatively new issue, and therefore have not been as widely marketed as St. Paul preferred, or Baltimore & Ohio preferred, or similar issues. In a good stock and bond market the New York Central debentures are likely to sell considerably higher.

SERIAL, SINKING FUND
or
LONG TERM BONDS

Some of the Facts and Fallacies That Should Be Considered in Connection With Each Class

By T. S. McGRATH, Author of "Timber Bonds," Etc.

ANY MORTGAGE which unnecessarily restricts the liberty of action of the maker is quite as objectionable as one which affords him too much liberty of action.

The advocates of the serial form of bond claim that it prevents misapplication of money, waste of wealth and insures the safety of funds providing for the retirement of the debt.

The serial bond, when properly used, is an excellent form. It is a very dangerous form for the maker of the mortgage if the bankers insist on clauses in the mortgage that hamper the proper operation of the properties securing the loan.

BAD BANKING METHODS

The theory upon which serial bonds should be bought is that the holder expects to have his interest and principle paid promptly at maturity, and that, in the meantime, the security therefor shall remain sufficient to assure such payment. It is very easy to put provisions in mortgages ostensibly for the benefit of the bondholder, but which, in reality, so restrict the operations of the mortgagor as to prevent his getting the funds with which to meet his maturities.

There is a conspicuous illustration of this in the mortgage securing the bonds floated by Peabody, Houghteling & Co., on the property of the Stearns Coal & Lumber Co. The bankers put the sinking fund on the timber on the property at the highest possible price current during the firmest timber market that the country has ever had. The result has been that instead of manufacturing the timber and getting funds therefrom to help pay their principal and interest, the Stearns Coal & Lumber Co., has had to shut down its saw mills and has not been able to cut a stick, as the price of lumber has been too low to even net the amount required for the sinking fund under this severe mortgage.

There is no possible way by which this provision may benefit the legitimate bondholder, as it only serves to reduce the income of the company, and the only manner in which the bondholder could hope to profit therefrom would be in an illegitimate way—to wit: by foreclosure and buying in the property at his own price. In the Stearns case their large resources and the big and profitable operation of their coal mines removes most of the danger of operating under such a mortgage.

WHEN SERIALS ARE SAFE

Serial bonds are usually issued on properties whose physical value is steadily depleted by the continuance of the legitimate business of the borrower. Bonds of oil operators, mining corporations, saw milling and timber cutting companies, and many others, come into this class. The nature of the work regularly reduces the physical value of the properties, and, consequently, the assets behind the mortage grow less from time to time.

Every operating day of an oil well, mine or timber property removes a certain portion of the oil, mineral or timber from the property and leaves it that much less valuable as security for a mortgage. The actual daily reduction in the value depends on the size of the operations. The life of the business is governed by the extent of the holdings of raw material in or on the ground and the plant capacity for their conversion into salable commodities.

The bond owner is secured by the entire holdings of the company and as these holdings are reduced, a certain amount is paid to the trustee to be applied to the reduction of the bond issue by taking up the serials as they fall due every six months or annually.

INTEREST AND PRINCIPAL PAYMENTS

The aim of the bondholder should be to get sufficient money out of the operations to protect the serial retirements and interest but not in any way to hinder or hamper the operation of all the properties or the full development of the business. The bankers who underwrite the loan generally see to it that serial bonds are properly arranged in the matter of retirements and that the amounts to be paid to the sinking fund to provide for such retirements are correctly calculated over the entire life of the loan.

The amounts necessary to retire the serials of a serial bond issue are paid to the trustee and carried in a fund for that purpose until the bonds fall due and are retired and cancelled. As there is a loss of earning power of this money, it is well to have the serials fall due each six months. The amount to be retired will be based on the size of the plant and other considerations surrounding the particular issue.

SINKING FUND BONDS

The fund providing for the retirement of the serials is really a "Sinking Fund" and is so called by all parties concerned. This shows that there is little difference between a serial bond and a sinking fund bond. The principle of both is the same. The difference between the two kinds of bonds becomes evident, however, in the method of applying the principle.

The supporters of the sinking fund bond consider the serial a more or less clumsy method of accomplishing the result desired. It is fairly safe to assume, however, that if a loan calls for a sinking fund that the serial is the proper method of administering that fund.

If the sinking fund money is carried as a cash balance in a bank or in the treasury of the company, it is a constant source of temptation to owners who may need funds to make extensions, repairs, betterments, or, even, in tight money periods, to meet the weekly pay roll. If the company is earning and paying dividends of six per cent. or better and the sinking fund is drawing only two or three per cent. interest in the bank or trust company, it is evident that the stockholders would be inclined to put the fund to work for a greater earning power.

EMPLOYING SINKING FUNDS

If the sinking fund is employed in the business, it immediately becomes subject to the risk of the business and loses its value as a protection to the bond issue it is supposed to retire at maturity. For this reason, sinking funds should not be carried in cash but should be invested in income bearing securities.

Some people claim that they should be used to buy the securities of the company and that these securities should be carried alive in the treasury for the interest they earn. If it were certain that the company would be continuously prosperous this method would be fairly good. But, should the company get into trouble, the sinking fund object would be defeated.

LONG TERM OR SERIALS

It seems, on careful consideration, that a bond issue should either be a serial or a long term issue. There does not appear to be any argument in favor of the ordinary sinking fund that cannot be met and overcome by the bankers who float the proper kind of long term bonds. Unless the security under the mortgage is being exhausted, there seems to be no insurmountable argument in favor of sinking funds or serials; on the other hand, there are many very sound conclusions against them, and in favor of long term bonds.

Security under a mortgage can be impaired or exhausted in other ways than by the consumption or depletion of material, such as minerals or commodities. In a public service corporation—a telephone, street railway, electric light or gas company—the franchise is a very valuable part of the assets behind the mortgage. Should this franchise expire and not be renewed, the bonds of the company might become worthless. One should exercise care in the purchase of securities

of public utility companies; and, above all, the buyer should be certain that the bonds are properly protected both as to the life of the franchises and the methods providing for the retirement or refunding of the bonds.

Whether a serial or long term bond should be insisted on, will depend on the nature of the company, the character of the franchises, the quality of the equipment, the ability and reputation of the management, and, particularly, on the standing of the bankers who are floating the loan or promoting the enterprise.

In purchasing public utility securities, the buyer should always get the opinion of some independent authority on the specific issue he is contemplating. It is startling to see brainy people plunge into public utilities on account of the glamor and success that has surrounded some of these issues. Buyers take the bare word of the promoters and make no independent inquiries as to the life of the franchises, the legality of them, or the manner in which they were procured or must be operated under.

NATURE OF ISSUING COMPANY

If the company issuing the bonds is not consuming its resources in the conduct of its business, if it is a standard railway company, or if it is a business that can steadily build and expand, there is no reason why long term bonds should not be the most desirable form of securities for it to emit.

If maintenance and renewals are properly provided and the entire structure kept in first class condition, if the business is kept in good credit and standing and the income steadily increased from year to year, it would seem that long term bonds are the most desirable securities of the company, both from the viewpoint of the investor, the banker and the maker of the mortgage.

If the securities are emitted by a public utility company or any company operating by the grace of the people or under a franchise with a limited life, the securities should be protected so that the maturities will be well and safely provided for during and within the life of, the franchises or term of grace.

If the bonds are made by a company that consumes its resources in the conduct of its business, such as a mine or timber company, the serial is the only safe form of bond to purchase. Such serials should be carefully scrutinized to see that the bankers have not endangered the life and success of the operation by severe clauses in the mortgage.

BUYERS of corporation bonds should exercise almost as much care in the selection of a financial adviser as in the choice of a security. They should seek a bond house with a strong personality, strong convictions on investment matters, and the capital and equipment to back them up.

PUBLIC UTILITIES DEPT.

WESTERN UNION

Telegraph Company

A War Stock—How the War Has Benefited Earnings—Progress Made Under New Management—Future Prospects.

By PAUL CLAY

WESTERN UNION is, or should be, almost in the class of war stocks, because of the large profits which the company is now making partly in consequence of the war. During the latter half of 1914 its cable tolls increased more than 60 per cent., and the stock at present is earning almost double what it was a little more than a year ago. Doubtles the cable tolls have played a large part; but just how large a part it is impossible to say as the company does not itemize the sources of gross income. These sources are not so very pertinent, since the fact of primary interest to the stockholder is that Western Union stock is now cheaper on the basis of earning power than it has previously been for many years.

In order to understand the position of the stock, it is necessary to review briefly the course of rehabilitation, which has brought the property into its present fine position. In November, 1909, the company passed from Gould control under the wing of the American Telephone and Telegraph Company. Then occurred a recognition on the part of the new management of the actual condition of the property, and of the fact that a lot of the assets were not assets at all. The plants and equipment were revalued, and the revaluation disclosed the fact that the book assets were $13,731,143 in excess of the actual assets. Consequently the book surplus was written down by this amount. Wall Street was surprised and shocked, promptly jumped to the conclusion that the remaining assets were also largely fictitious, and the stock which in 1909 had sold up to 85¼ went down to 56.

Wall Street is a splendid guesser and prophet, but a very bad expert accountant, and its conclusions were totally wrong. As a matter of fact this property in changing from Gould control was being saved from the fate of the Wabash, the Wheeling and Lake Erie, the Western Pacific and other Gould companies. The new interests led by Mr. Vail promptly set about to reconstruct portions of the property and reorganize its working forces from the top down. Mr. Vail discovered in England an excellent manager in the person of Newcomb Carlton, who was made president of the company and still remains at its head.

An entirely new policy as to maintenance expenses was forthwith adopted—new to the Western Union, but old and tried to American Telephone. This is the policy of spending enough for maintenance to offset all the actual deterioration, and of setting aside enough additional to provide for such reconstruction work as must from time to time be done. In the five years ended with 1909, the amount spent for maintenance and the like was only 14.9 per cent. of gross earnings, and the property steadily depreciated. For the year 1914 maintenance expenses were equivalent to 17.9 per cent. of gross, and for 1913 they were 18.5 per cent. Evidently the total amount of money put back into the property during the past five years is approximately $17,000,000, over and

above the normal maintenance charges.

The time has now come when the percentage of maintenance expenses to gross earnings can be diminished and the net earnings proportionately increased. That is to say, the property has been so improved, and gross earnings have been so increased, that the plants can be maintained in fine condition without consuming so large a proportion of total receipts. The absolute amount of maintenance expenditures should, and doubtless will, keep on growing, but the percentage is likely to diminish. The amount which it is necessary to spend depends, of course, not upon gross earnings but rather upon the mileage of wire and cables, the number of poles, the buildings, etc. A wire does not deteriorate any faster when transmitting a hundred messages per day than when transmitting only 50; but it produces twice the revenue.

In brief, it is the extent of the physical property which determines the amount which must be spent for maintenance and repairs. The Bell Telephone system spends a sum equivalent to about 8 per cent. on the valuation of its plants, and this same sum is equivalent to about 29 per cent. of its gross earnings. However, the Western Union gross earnings are so much larger in comparison with its physical property that approximately 16 or 17 per cent. of gross would be equivalent to 8 per cent. on the true valuation of its plants. At least such is the situation indicated by a close study of its balance sheets, and of the values of plants of this type.

Considering these facts the latest available figures are very encouraging to the investor. For the nine months ended with September, maintenance, repairs, etc., cost $6,092,182 as compared with $6,049,060, thus showing a slight increase in absolute amount. But in proportion they represented the past nine months only 16.19 per cent. of gross earnings, as compared with 17.05 the previous year, because gross receipts had meanwhile increased from $35,486,659 to $37,653,422. This means an addition to net earnings of a sum equivalent to almost 1 per cent. of gross business. The addition is, in fact, much larger than this, because it is not only maintenance expenses but also all other expenses that are decreasing in proportion to gross.

The years 1914 and 1915 are the only years in recent history wherein the management of this company has shown genuine ability to reduce expenses. Such a reduction was impossible prior to 1909, because the management did not have the ability; and it was impossible from 1910 to 1913, both inclusive, because the rehabilitation of the property required large expenditures even with the most efficient management. From 1900 to 1907 operating expenses increased every year without exception. In 1908 they decreased in amount, but consumed a larger proportion of gross. In 1909 they were reduced by means of neglecting maintenance and repairs and letting the property deteriorate. But since the end of 1914 expenses have been reduced without the slightest apparent neglect.

A peculiarity of the history of the company is that the real decline in earning power took place from 1905 to 1909, when no decline was shown by the annual statements, and that the apparent decline as reflected in these statements took place

TABLE I—EARNINGS FOR 1915

Gross earnings	**$51,287,600**
Operating expenses	**40,687,800**
Net operating income	**$10,599,800**
Other income	**852,200**
Total net income	**$11,452,000**
Fixed charges	**1,335,100**
Surplus for dividends	**$10.116,900**

from 1910 to 1913 when, as a matter of fact, the genuine earning power was not decreasing. During the earlier period the loss of earning power was hidden by means of virtualy padding the balance sheet. This was done not so much by over-valuing new assets as by failing to write off the depreciation of the property which arose largely from neglect of repair work.

The annual reports made their worst showing in 1912 and 1913. For the latter year the stock earned only 3.13 per cent. as compared with 5.26 in 1912 and 5.38 in 1911. The decrease was due entirely to changes in the disposition of gross receipts and principally to increases in maintenance expenses. Had the books been kept and the property managed during these years as was done under the old Gould regime the earnings for 1913 would have been approximately 7.9 per cent., and this figure would have compared with 7.1 for 1912 and 6.3 per cent. for 1911. Under the first three years of the American Telephone management about 10½ per cent. of gross earnings were set aside for maintenance, improvements and reconstruction. In this period the increase in maintenance and reconstruction outlays was 57 per cent., while gross earnings gained only 45 per cent.

Thus while the investing public has often felt rather discouraged over the outlook the Western Union property has been continually strengthening its foundation. The price of the stock was long depressed not only by this misunderstanding or failure to understand the real progress of the company, but also by the throwing on the market early in 1914 of the $30,000,000 Western Union stock held by the American Telephone Company. It had been agreed between the latter and the Department of Justice that by way of complying with the Sherman law the telephone company should dispose of the stock. Hence the entire block was sold to a syndicate headed by Kuhn, Loeb & Co., and the privilege was given to the Western Union stockholders to subscribe at $63 per share to an amount equivalent to 40 per cent. of their holdings as of February 28, 1914.

Apparently this large block of stock was not readily digested by the investing public, for the price in 1914 went down to 53⅜, and so recently as July, the present year, it was still selling around 66. It may be doubted whether the stock has even now been thoroughly absorbed by investors, for when the rise did occur it was due not so much to any general appreciation of the greater earning power of the stock as to the increase in the dividend from a 4 per cent. basis to a 5 per cent. basis. According to the latest returns, the earnings for the entire year 1915 may be estimated about as in Table I.

As the company has outstanding practically $100,000,000 of capital stock, this surplus for dividends is equivalent to 10.11 per cent. At the lowest estimate the surplus ought to be 9¼ per cent. These excellent returns contrast almost brilliantly with the results of previous recent years. By observing these results we not only see this contrast, but also get a better idea what the stock should now be worth upon the basis of earning power.

For this five-year period surplus earnings averaged 4.96 per cent. and the price of the stock averaged 69⅞, so that the stock sold at a price equivalent to 14 times the yearly earnings. On the same basis, assuming that the above estimate of 10.11 per cent. is correct, it would now be worth 141. Undoubtedly its real intrinsic value is much less than this, but it is significant that the same ratio of selling prices to earnings that has prevailed

TABLE II

EARNINGS AND HIGH AND LOW PRICES

Year.	Earnings.	High.	Low.
1910	5.60%	78½	56
1911	5.38	84½	71⅝
1912	5.26	86¼	72
1913	3.13	75⅛	54⅛
1914	5.37	66⅞	53⅜

during the past five years would mean so high a present price. It could not now be worth so much as this simply because the assets behind the stock have not, and could not, increase as fast as its current earnings have done.

Ignoring for the moment the facts that the stock pays only 5 per cent., and that there is apparently a rather large floating supply of it in the street, one may form a pretty close estimate of its real value on the basis of earning power. Judging from the prices at which the stocks of telephone, telegraph and cable companies sell, when these companies get into a sound financial position, the value of this stock would figure out from 101 to 114. Whether it be the former or the latter figure depends upon whether the true earning power is more nearly 9¼ or 10⅛ per cent.

To sell in the market at an average price of say 105 or 110, the stock would of course have to pay more than 5 per cent. dividends, no matter how large its earnings may be. Earnings determine intrinsic values, but securities cannot sell at these values unless they pay appropriate dividends. Such a selling price would require a 7 per cent. dividend rate; but if earnings are permanently maintained at this level, the company can afford to pay 7 per cent. within another year or two. So large an increase in the dividend would naturally be preceded by further additions to reserve funds, but these additions could be made in a relatively short time in view of 5 per cent. dividends and 10 per cent. earnings. The stock looks like *a good one to hold* and should prove *a fair investment,* while at the same time also prove *an excellent speculation*

Public Utility Inquiries

Short Term Notes

O. S. P., Cleveland, Ohio.—The following short-term notes or bonds we consider will not be liable to decline and we believe they will be marketable at any time before maturity:

Kanawha Traction & Electric 5% notes, due June 15, 1917, at 98¼ and interest, yielding 6%. This company owns the street railway system of Parkersburg, W. Va., and Marietta, O., together with interurban lines, and supplies electricity for lighting and power in Parkersburg, Marietta and certain suburbs. Franchises are either perpetual or extend many years beyond the life of the notes. The total issue is $1,100,000, the notes being a first mortgage on all property of the company in West Virginia, subject only to $700,000 of underlying bonds. The property in Ohio is unmortgaged. If a mortgage is placed on the Ohio property, it must provide for these notes. After paying interest on underlying bonds for the year ended April 30, 1915, earnings equaled 2½ times the interest of these notes.

W. Va. Traction & Electric 6% Notes, due June 1, 1917, at 98 and interest, yielding over 7%. The company controls most of the electric street railway lines in and about Wheeling and some suburbs, also the traction, electric light and power, gas and water systems of Morgantown, W. Va. $1,500,000 of the notes are outstanding, being secured by $1,875,000 first mortgage refunding 5% bonds. The notes are followed by preferred stock paying 7% dividends. The company controlling West Virginia Traction & Electric is the Eastern Power & Light Company, paying 6% dividends on $2,350,000 of preferred stock, and it also has outstanding other securities.

The interest on these notes was earned about 2½ times during the year ended April 30, 1915.

Commonwealth Power Railway & Light 6% convertible gold bonds, due May 1, 1918, at about 100 and interest, yielding 6%. This is a prosperous public utility holding corporation operating in 7 states, including Michigan, Illinois, Indiana and Ohio. These notes are followed by $10,000,000 of preferred stock, paying 6% dividends, selling at $78 a share, and $18,000,000 of common stock, paying 4% dividends, selling at about $50 a share.

Michigan Railway 6% Notes, due June 1, 1909, at about par and interest. These are guaranteed principal and interest by the Commonwealth Power Railway & Light and were approved by the Michigan State Railroad Commission. The notes are secured by a first mortgage through pledge of first mortgage bonds of the company.

Net earnings of the Commonwealth Power Railway & Light Company for the year ended May 31, 1918, were $6,497,334. Amount available for interest on the convertible bonds was about 4½ times the interest charges.

Part Four of a Valuable Series

What the Investor Should Know

About

A Public Utility Company

Physical Properties

By HENRY JUDSON

WITH public utility companies a more intimate study is needful than in the case of railroads, because more dependence must be placed upon the earmarks and less upon the statistics. There is practically nothing about a railroad stock which cannot be accurately known by an investor who has never been within 3,000 miles of the road, provided only he makes a careful study of the figures. The traffic statistics show the exact nature of the business, so that the expenditures required for maintenance, for transportation costs, and the like can be determined to a nicety, and the income accounts show not only the amounts, but the sources of income. Personal touch is not necessary with railroads; but with public utilities there are no exhaustive statistics, and no uniform standards of accounting. For these reasons investing in public utility stocks should be preceded by a sort of a character study.

We have previously observed in these articles the indispensability of a knowledge of income accounts, balance sheets and corporation architecture. In addition a knowledge of physical property is desirable, although not so positively necessary. One great advantage to be derived from such a knowledge is that in obtaining it the investor is likely incidentally to get a very concrete and definite notion of the company whose stocks he is buying. Pictures of power plants, street railway cars, city streets, transmission lines, gas plants and water reservoirs are not to be found in the financial manuals, but they still have their value in forming one's conceptions of the physical properties of a company.

Regarding a street railway property, it is desirable to know the length of line, the number of cars, the ownership of the right of way, and the capacity of power plants. These points all have their bearing upon earning power, present and future, and they all serve as side lights upon the question of asset values. As a general average street railways are worth about $72,300 per mile, including both physical values and intangible values. However, there is the greatest variation according to the construction of the tracks and terminals and the value of land or rights of way. These variations can be judged in a rough manner because this valuation of $72,300 is for the typical mile of road, whereon the density of traffic averages about 232,500 revenue passengers (yearly) per mile. According as the traffic is more or less dense, the value is higher or lower.

Total assets are also equivalent to about $39,000 per passenger car in service; and here, too, one must judge the variations roughly according to the density of traffic. The very moderate value per mile of road and per car in service is due to the fact that so much of the street railway mileage is over city streets and not on private rights of way. Where it is on private right of way, allowance must be made for the land value of the right of way. Pictures of power plants, or even personal inspections of them, are desirable since the power plant represents a considerable and very important part of a street railway system. As a general average, such plants should have a capacity equivalent to about 385 horsepower per million revenue passengers annually carried.

In the case of power companies it is desirable to know the source of water supply, the mileage and character of transmission lines, the nature

of the power plant and the primary power used. The most important of these is the power plant. In general a company using water power rather than steam can operate at the smaller expense; but this all depends upon the permanence and reliability of the water supply. In 1912 the electric light and power stations of the United States had in all 7,528,648 horsepower, of which steam represented 4,946,532 and water wheels 2,471,081 horsepower.

The water power is making the more rapid growth, because of the harnessing of the great rivers, especially in the mountainous country. From 1902 to 1912 the power derived from water wheels increased 464 per cent. and from steam 255 per cent. With a company dependent upon water power it is desirable to learn the location and storage capacity of the reservoirs. Sometimes, too, the extreme variations in the rainfall of the given watershed has a considerable bearing upon the value of a public utility stock. As an average an electric light or power plant needs about 260 horsepower per thousand people served, but this all depends on the consumption of electricity. Where a great deal of electricity is used for industrial purposes the requirements are larger. This generalization is based upon an average yearly consumption of 395 kilowatt hours per capita.

Where such a plant serves the entire community in which it is located, and has no competition, the population of the community has some significance. The average value of electric light and power concerns in the United States is equivalent to about $45 per capita of population served, or $114 per thousand kilowatt hours, or $173 per horsepower installed. Allowance must be made, of course, for the great variations in the prices received for current, and in the amount of current consumed per capita of population. Still, the power plants are worth studying as a side light.

With gas companies the miles of gas mains per million cubic feet are worth knowing. The larger are the sales of gas in proportion to the mileage of mains, the larger is likely to be the profit in business, provided, of course, the mains are not so expensive as to be an offset. Another point worth observing is a comparison of the meters in service from year to year with the mileage of gas mains. A very large increase in the number of meters and a small increase in the main mileage should mean that the new or additional business is conducted at a low cost of operation.

Another value in the study of physical plants is that it helps to show how much the given company ought to set aside for depreciation. Street railways, if neglected, depreciate at the rate of 5.6 per cent. per annum, including both road and equipment. Trolley rails, in city streets, depreciate about 4.5 per cent., while rails in the country lose in value only about 3.5 per cent. The substructure of a roadbed deteriorates at an average rate of 4 per cent. Gas companies have an advantage in that the plants depreciated only about 3 per cent. annually, while electric lighting plants deteriorate about 5.7 per cent. Furniture and fixtures lose about 5 per cent. of their value each year, while tools and machinery lose 6 per cent., gas engines 6.7 per cent. and steam engines 4 per cent. At least these are the averages testified to in various court procedures by expert engineers.

The study of physical plants, even if it does not lead to accurate conclusions, is pretty sure to give the investor a greater familiarity of the property and a better judge of its securities.

Notes on Public Utilities

American Gas.—DIVIDEND increased from 1¾% to 2% quarterly. Operating revenues of sub. Cos. have increased 187% in 5 yrs. and net revenues increased 207%. Improvements are under way at several properties. Co. has uninterrupted dividend record of more than 23 yrs.

American Telephone & Telegraph.—EARNINGS 9 mos. ended September 30 were 7.1% on stock against 7% for corresponding months of 1914. Earnings have shown steady though small decrease since 1909, when 8% was earned in 9 mos. Earnings full year 1915 estimated 11.5%.

Boston Elevated.—EARNINGS for yr. ended September 30 showed about 5.5% on stock against 6% in 1914, 3.5% in 1913 and 3.5% in 1912. Gross earnings show slight increase over last year. Co. has petitioned Public Service Commission for authority to issue $3,286,000 of negotiable bonds for construction and equipment, funding, floating debt, etc.

Brooklyn Rapid Transit.—SEPTEMBER EARNINGS showed increase of $90,000, best gain since March.

California Railway & Power.—ANNUAL REPORT for yr. ended June 30 shows net income $127,000. Previous profit and loss surplus was $115,000, making present surplus $243,000. Dividends of 7% were paid on the prior preference stock.

Cities Service.—EARNINGS since Aug. 1, 1914, have been used for corporate purposes, largely reducing outstanding obligations, and increasing cash resources. For year ended Aug. 31, 1915, per cent. earned on common stock was 12.3 after pfd. dividends. Directors have under consideration plan for funding the 7% accumulated dividends on the pfd. which would provide for resumption of pfd. dividend and for common dividend later. General position of Co. is excellent.

Commonwealth Power, Ry. & Light.—EARNINGS 12 mos. ended Aug. 31 were $14,088,000 gross, and $7,318,000 net. Balance for common stock $1,228,000. Regular quarterly dividends declared, 1½% on pfd. and 1% on common.

Detroit United Railway.—BALANCE for dividends and depreciation current yr. will be about 14% on stock. There were gains in gross during summer, but net is running below last year. Detroit City lines where 7 tickets for a quarter have been in effect for two years are showing much larger decrease than Interurban lines. Officials do not doubt ability to continue present dividends of 1½% quarterly even in case the City lines should be divorced from the system by purchase by the Municipality.

Edison Electric of Boston.—ANNUAL REPORT yr. ended June 30 showed net earnings largest for 10 yrs. Per cent. earned on capital stock was 14.2 against 14.5 in 1914, 15.7 in 1913, and 15.3 in 1912. Dividends of 12% were paid. New construction under way is smallest for many years.

Kansas City Ry. & Light.—TIME FOR deposit of stocks under reorganization plan has been extended to Nov. 1 Over 90% of the principal issues and about 85% of all interest bearing securities have been deposited. Announcement of reorganization plan is expected soon.

Massachusetts Gas.—ANNUAL report for yr. ended June 30 shows 5.9% on common stock against 5.6% previous yr. Co. owns one-half the stock of the New England Mfg. Co., an acid-making concern which is estimated to be earning about $5,000 net per day. Mass. Gas will receive about $750,000 from this source, or about 3% on the stock.

Massachusetts Lighting.—NET EARNINGS for yr. ended June 30 were $409,000 against $402,000 in 1914, $490,000 in 1913. During the year, price of gas was reduced by one Co., and electricity by eight Cos. There were added 740 gas consumers, and 1,065 electric consumers. Operating expenses were reduced from $999,000 in 1914 to $949,000 in 1915 as a result of operating economies. Plants are all in good physical condition.

New York Railways.—ANNUAL REPORT yr. ended June 30 shows that $961,000 interest was paid on the 5% adjustment income bonds, or 3.13%. Total net income for the yr. was $4,332,000 against $4,453,000 in 1914, and $4,529,000 in 1913. The entire surplus available was paid on the income bonds.

Pacific Gas & Electric.—SUBSCRIPTION price on unsold part of new 6% 1st pfd. stock has been advanced to 87½. Original offering was at 82½. Regular quarterly dividends will be declared of 1½% on full paid 1st pfd. and the original pfd. stock.

Republic Railway & Light.—EARNINGS 8 mos. ended August showed decrease of 2.9% in total income compared with corresponding mos. of 1914. However, management expects full year 1915 to show increase over 1914. During last 4 yrs. great improvement has been made in physical condition and earning power of the properties. Modern generating station of 25,000 h. p. has been built and contracts have been let for doubling its capacity. Electric railway lines have been almost entirely relaid, and much new equipment purchased. Result has been decided decrease in cost of operation.

Third Avenue.—DIVIDEND of 1% puts the stock on a 4% basis. Central Trust Co. has bought at 80 and interest the $2,020,000 refunding 4% bonds of Co. recently authorized by Public Service Commission. Since reorganization, Co. has set aside from current earnings $500,000 annually for depreciation and this policy will be continued.

Distillers Securities Corporation

How the War Has Resulted in Record Earnings—The Prohibition Movement—Prospect for the Stock.

By MALCOLM ARMSTRONG.

WAR has brought immediate profits and prospective disadvantages to the Distillers Securities Corporation. Immediate profits are always more interesting and popular than nebulous and uncertain troubles, which may or may not materialize, and we therefore speak of the profits first.

Exact figures on Distillers' present rate of profits are lacking. But the following official statement made in the annual report for the year ended June 30 last is of significance:

> "It is impossible to estimate what the earnings for the 1915-1916 fiscal year will be, and the board therefore prefers not to express any opinion other than to say that in certain important branches of the company's business the plants are taxed to their utmost capacity. The company has now practically no floating debt. It has $12,000,000 of quick assets and needs no additional working capital."

From unofficial sources, but which are regarded as dependable, earnings of Distillers Securities, for the current fiscal year are estimated at the rate of between 7 per cent. and 8 per cent. on its one class of capital stock. That is to say, if present earnings continue, and they seem more likely to increase as long as the war lasts, the company should have a surplus available for dividends of something like $2,500,000 by June 30 next.

Such would be the best earnings statement the company has ever issued as indicated in the column showing the percentages earned on the common stock, in the table giving a condensed statement of the income accounts for the last decade.

THE WHEREFORE OF RECORD EARNINGS

Last spring before the snows had melted under the April sun, Distillers was regarded as a water-logged proposition. Like International Mercantile Marine and a dozen other corporations which had suffered from over-capitalization, poor earnings and perhaps both, it seemed to be dying a slow death. Talk of default in interest payments was current in the "Street" and the stock, responding to the unfavorable condition of the company's affairs, sold down to 5½ on March 2. At this writing the company's earnings are at record rate, dividends are talked of for this year, or at least early next year, and the stock is selling up more than 45 points a share.

This metamorphosis has been brought about by the world's enormous demand for alcohol. Not alcohol for human consumption, but for human destruction. To be sure, the interference with the manufacture of spirituous liquors on the other side, caused by war, has been a favoring factor for the company under consideration, but the real and big cause of its recovery has been the enormous demand for alcohol for use in the manufacture of explosives.

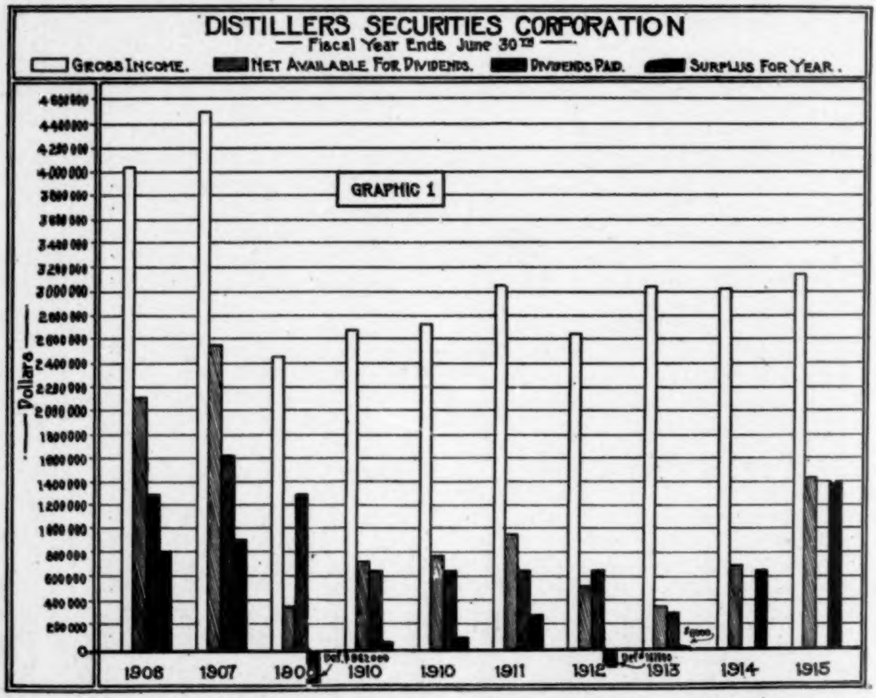
WAR AND ALCOHOL

While Russia has slain the vodka monster in her vast dominion and France has settled the absinthe question, presumably for all time, and England has become practically a temperance country, in short with the greatest wave of prohibition the world has ever

seen, the world, nevertheless is now consuming more alcohol in the manufacture of munitions, than it ever consumed before for any purpose.

When the so-called "Whiskey-Trust" i. e., Distillers Securities, was formed in 1902 to acquire the stock of the Distilling Co. of America, the latter controlling the American Spirits Manufacturing Co., Kentucky Distillers and Warehouse Co., Standard Distilling & Distributing Co., Hannis Distilling Co and Henry H. Shufeldt & Co., together with various distributing companies, it controlled more than 100 plants situated in practically every large city in the United States. For purposes of economy of operation, many were closed down immediately, and others since because of poor business. Now plants which have been cobwebbed for years are reopening to manufacture alcohol.

The company is filling the major part of a record breaking 120,000,000 pound alcohol order recently placed by the duPont powder interests, which followed other orders, including one for 16,000,000 pounds. The Majestic distillery at Terre Haute, never previously operated by the company, has been started, the chimneys of the Atlas distillery at Peoria are belching smoke again, and the Great Western plant at Peoria, the largest in the world, is working day and night, turning out 60,000 gallons of alcohol per day, to supply the Delaware powder manufacturers.



DISTILLERS' PAST RECORD

Graphic 1 shows at a glance that heretofore the company has never been able to equal the good showings of 1906 and 1907, when 4 per cent. and 5 per cent. were paid on the stock respectively. The attempt to continue the 4 per cent. rate in 1908 resulted in a deficit of $962. On a 2 per cent. dividend basis the company was able to show only a small balance after dividends for the following two years. After a deficit of $161,000 for 1912, the

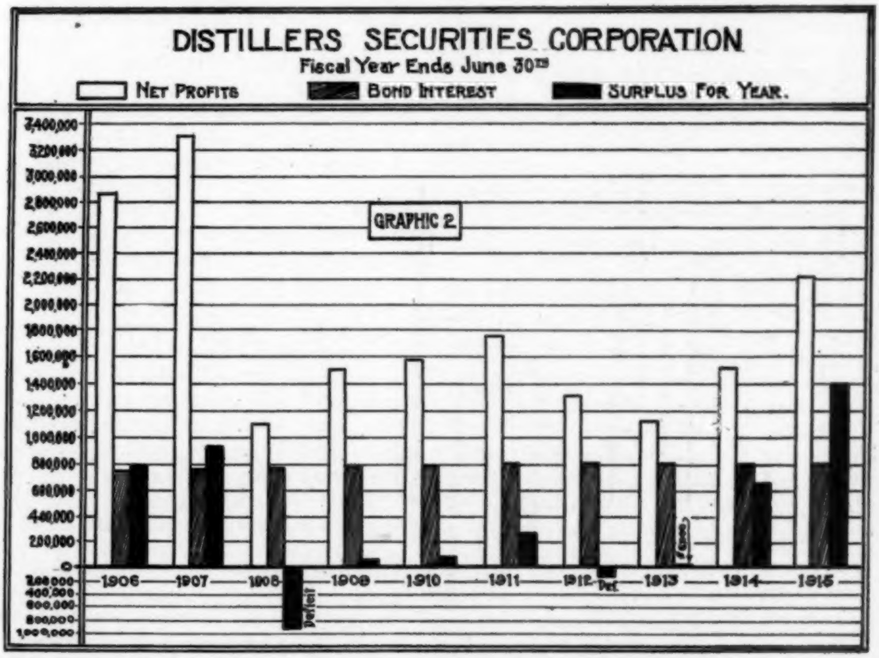
dividend was reduced to 1 per cent., but even on that basis 1913 showed a surplus of but $6,000 in round figures. Then the dividend was passed. In the last two years a total surplus of about $2,000,000 has been accumulated.

Graphic 2 brings out the fact that the company has always succeeded in earning its bond charges with a fair margin of safety. The best showing in this respect was for 1907, when the company earned its charges approximately 4⅓ times, and the poorest was for 1913, when it earned its fixed charges slightly less than 1½ times.

DISTILLERS' POOR BARGAIN

Last June the Distillers Securities Co. sold the 63,500 shares it owned of the stock of the Industrial Alcohol Co., whose preferred dividends are guaranteed by the Distilling Co. of America, for approximately $2,500,000 or about $39.50 a share. The transaction looked good at that time, especially in view of the fact that several years before Distillers had tried to sell this stock at $1,200,000 and had failed. U. S. Industrial Alcohol stock at this writing is selling at $120 a share, so that if Distillers had held on to its Industrial holdings they would have had a book value of roughly $5,111,000 in excess of the price actually obtained.

The reason for the sale of the stock lay in the fact that Distillers needed additional working capital. Burdened with a large floating debt and its record of poor earnings mitigating against the likelihood of financing on favorable conditions in a bad money market, the sale of Industrial Alcohol stock seemed an easy and satisfactory solution of the difficulty. The officers and directors of neither company foresaw what light lay behind the war clouds. Current liabilities as of June 30, 1913 totaled $11,730,000 in round figures. By June 30, 1914, they had been reduced to about $6,000,000, and when the last twelve months fiscal period closed, the company had practically no floating debt and a working capital of $12,000,000. Distillers had at last managed to put its



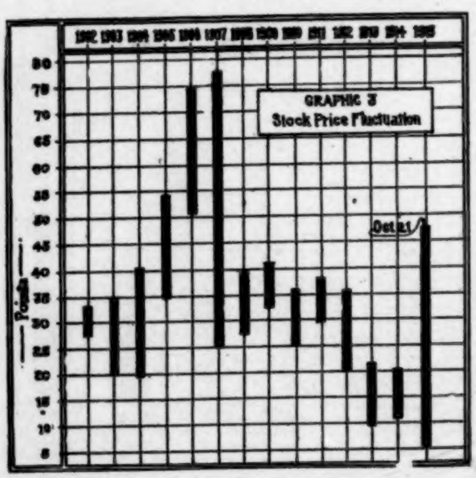
DISTILLERS SECURITIES CORPORATION

Condensed Income Accounts for Ten Years—Fiscal Periods Ended June 30

	†Gross Income	†Net Profits	†Bond Int.	†Net Inc.	% Earned on Stock	Divs. Paid	%	Year's Surplus
1915	$3,144	$2,224	$793	$1,431	4.64	......	..	$1,408,000
1914	3,032	1,495	793	702	2.28	......	..	667,000
1913	3,046	1,153	793	360	1.17	$308,000	1	*6,000
1912	2,462	1,320	793	527	1.62	650,000	2	161,000
1911	3,043	1,750	793	958	2.95	650,000	2	270,000
1910	2,724	1,571	792	779	2.40	650,000	2	92,000
1909	2,683	1,524	790	734	2.26	650,000	2	55,000
1908	2,454	1,134	790	344	1.06	1,299,000	4	*962,000
1907	4,542	3,341	783	2,559	7.88	1,624,000	5	924,000
1906	4,055	2,874	750	2,124	6.97	1,299,000	4	797,000

* Deficit.
† Final 000 omitted.

financial house in order. While the Distillers stockholders now naturally deplore the sale of the Industrial Alcohol stock, it must be remembered that Distillers had never realized anything in the way of dividends from that stock, that the sale price showed a profit of about $1,000,000 over the valuation of $25 a share at which this stock was



carried on Distillers' books, and finally, to put it into the parlance of the day, Distillers "needed the money."

DISTILLERS' FUTURE PROSPECTS

Early in this study of Distillers Securities it was mentioned that the war had brought into view certain unfavorable factors which are likely to develop into importance in the future. That statement referred to the great prohibition movement which has spread around the globe. The name "Whiskey Trust" is not a misnomer as applied to the company, for the chief business of Distillers in ordinary times is the manufacture, distribution and sale of spirits, alcohol, bourbon, rye whiskey and their compound and blending. Any development which tends to curtail the consumption of spiritous liquors cannot be regarded as otherwise than a bear argument on this company's business. But the time when this movement is likely to vitally affect the company's present rate of earnings seems likely to be far distant. As long as the war lasts and smokeless powder continues to require enormous quantities of alcohol for its manufacture, Distillers will continue to do a fine business.

The stock of the company, as this is written is selling at 47 a share. Earnings are running at the rate of between 7 and 8 per cent. per annum. In 1907 when the company earned 7.88 per cent. on its stock and paid 5 per cent. in dividends the stock sold up to a high record price of 78 a share, as indicated in Graphic 3. If there is anything to the ratio between earnings and stock prices of the past which will apply to the present, it would seem that Distillers, marketwise, has not yet discounted its present record rate of earnings and should appreciate in price.

S. S. Kroonland Passing Through Panama Canal

International Mercantile Marine

What the War Has Done for a Hopeless Proposition—The Reorganization—Position of Securities.

By CAMERON ROBERTSON.

IN THE CASE of International Mercantile Marine, the results of war have been to change an over-capitalized, hopelessly unpromising company—a company in bankruptcy into one which promises to be a source of permanent profit to its stockholders.

Their position will probably be a good one even if the original plan of reorganizing the property goes through. In addition, there is a possibility that dissenting preferred stockholders will succeed through court action in having the reorganization plan modified or even of having their old status as stockholders restored. This contest by minority stockholders has already resulted in the setting aside of compulsory assessment of $2.50 on each share of common and preferred stock, and such payment has been made optional. For the purpose of finding out the status of the new company, however, it is necessary to use the reorganization plan, declared operative on October 11, 1915.

International Mercantile Marine's earnings in the first half of the current year were $11,000,000 after depreciation, or sufficient to have paid former bond interest, and preferred dividends with a balance of nearly $8,000,000. This was at the annual rate of $16,000,000 after preferred dividends, which speaks eloquently of the prosperity which war has brought. Prior to this year, the company often barely earned its bond interest, and failed to pay preferred dividends in recent years.

OCEAN FREIGHT CONDITIONS

The main reason for the improvement lies in the fact that since war started, the demand for ocean freight capacity has been tremendously in excess of available tonnages. Hundreds of German ships have been interned or are locked in German harbors. Hundreds of other ships have been taken as transports by the Allies. Dozens have been sunk. Many of these ships which have been withdrawn from commerce for transports may never be used for commerce again. It will be many years before all that have been lost can be replaced. Hence, the outlook is for a continued scarcity of shiproom for some time after the war.

As a result of these conditions, ocean freight rates have advanced as much as 2,000% for some commodities in the last fifteen months. Cost of service rendered by the ships has risen also, but not proportionately to receipts.

REORGANIZATION UNNECESSARY?

It might have been possible to have avoided a reorganization of the Inter-

national Mercantile Marine Co. Perhaps it could have been rehabilitated as a going concern, since current earnings would have not only paid all current obligations, but would have made possible the payment of back interest on the bonds. Small annual settlements could have been made on the 75% accrued dividends on the $51,726,300 6% cumulative preferred. Doubtless the preferred shareholders would have welcomed an attempt to adjust the company's affairs without a reorganization.

But the position of common stockholders of the company is greatly improved by the reorganization from the point of view of return on their investment, even though their equity (as shown in the table with this article) is to be reduced. The common stockholders are now in a position where they may expect to receive dividends immediately. With accumulated dividends on the old preferred stock, it would have taken five or six years of even such large earnings as are being shown so far to have cleared the way for payments on the common. While earnings after the war will doubtless be larger than before, it is improbable that they will continue at the present rate. Hence, it is likely that the old common stock under the old organization would never have received a dividend.

THE PLAN

In brief, the plan of reorganization scheduled to go into effect October 11, 1915, is as follows: Holders of the old $52,594,000 4½% bonds will receive securities of the new company equal to the par value of their present holdings, plus the par equivalent of interest due to them since the last payment. They will get $27,776,206 new 5% bonds and $27,776,206 new preferred stock. Holders of the $17,632,000 5% bonds of the old company are to receive the par value of their holdings plus accrued interest in par of new securities, viz., $9,220,067 new 5% bonds, $3,688,027 new preferred stock and $5,532,040 new common stock.

Preferred stockholders, in exchange for their $51,726,300 stock, will receive 20% in new common stock, or $10,345,260, and for their assessment of $2.50 per share if they wish to pay it will receive $1,293,157 in new 5% bonds. Common stockholders are to receive 5% in new common stock, or $2,493,620, and for the $2.50 per share assessment, if paid, a total of $1,246,810 in new 5% bonds.

The new 5% bonds will be a first mortgage. They are convertible at par for the new preferred stock. The amount of bonds authorized is $50,000,000, of which $39,536,240 will be issued if all old security holders participate in the reorganization.

NEW PREFERRED TO PARTICIPATE

The new preferred stock is to be a 6% non-cumulative, participating issue, entitled to share with the common stock in all dividends paid after the common has received 6% in any year. The total to be issued at this time is $31,464,233 of $81,500,000 authorized. There will be $50,000,000 reserved for bond conversion. As the new preferred may receive large dividends under its participating rights, it is probable that conversion of the bonds will be heavy and it is not unlikely that, within a few years, the company will have only preferred stock and common outstanding, and no bonds.

The new common will be $18,500,000 authorized and $18,370,920 outstanding. This will make the aggregate of new securities $89,371,393 as compared with $171,824,700 of the old company. Fixed charges will be reduced $1,271,518 a year, and deductions before common

Price Ranges for a Series of Years

	1910		1911		1912		1913		1914		1915 (to Oct. 21)	
	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Preferred	24⅜	12⅝	22½	14	26	15¾	19½	12	15¼	3	44	4
Common.	7½	4¼	5⅞	3¼	7⅞	4	4⅝	2⅞	3¾	⅝	9¾	1

dividends will amount to $3,864,666 a year.

PREVIOUS EARNINGS

The company failed to issue a report for 1914, as it went into the hands of a receiver early in 1915, after default of interest on its bonds due last fall. In the report of the reorganization committee, however, some figures are cited of which one is for 1914. This placed net available for depreciation and for interest at $6,625,352 for the year, as compared with $8,992,150 in 1913. For the six years from 1909 to 1914, total net earnings were $43,175,523 before depreciation. If a 5% allowance for depreciation is deducted, there would remain less than $16,000,000 during six years available for bond interest. During the first six months of 1915, the company earned within $5,000,000 as much net available for bond interest as it did in the entire six years preceding. Earnings are now reported at $3,000,000 a month net.

In the last balance sheet issued by the company as of December 31, 1913, the total of assets was placed at $194,212,890, of which cost of properties accounted for $169,449,150 and investments $15,317,174. The liabilities side showed capital stock of $101,664,403, funded debt $76,833,698, current liabilities $8,395,522, loans and bills payable $4,495.22, reserves $1,555,048, and surplus $1,268,997.

Quick assets totaled about $6,000,000, while the immediate and current liabilities were nearly $13,000,000, yet this report was issued at the end of the best year, in point of earnings, that the company had experienced until then.

MORE DRASTIC PLAN AVOIDED

It is probable, in view of the fact that earnings prior to 1915 would have barely sufficed for proper depreciation and fixed charges, that a far more drastic reorganization plan would have been put in force if it had not been for the remarkable earning record of the first half of 1915. It is likely that there would have been a substantial assessment on the stock, with probably nothing but a right to receive a small percentage of the new company in exchange.

The large earnings of the first half year have allowed the company to purchase five ships from the Pacific Mail Co. for $5,250,000 without deduction from capital account. This brings the total of ships owned by the company or its subsidiaries, the American Line, Atlantic Transport Co., National Line, Leyland Line and Red Star and White Star

How Securities Will Be Exchanged

OLD COMPANY	NEW COMPANY		
	New 5% Bonds	New Preferred	New Common
For $52,594,000 4½% bonds plus interest........	$27,776,206	$27,776,206	....
For $51,726,300 preferred, with assessment* of $2.50 per share..............	9,220,067	3,688,027	$5,532,040
For $17,632,000 5% bonds plus interest.......... per share	1,293,157	....	10,345,260
For $49,872,400 common, with assessment* of $2.50 per share..............	1,246,810	....	2,493,620
	$39,536,240	$31,464,233	$18,370,920

$171,824,700 total securities old company.

If all obligations of old company for interest and dividends had been met, the annual outlay would have been:

Interest on bonds	$3,248,330
6% preferred dividend	3,103,578
Total before common dividend	$6,351,908

* Assessment optional.

Or $89,371,393 total outstanding securities new company.

For the new company, this will be:

Bond interest	$1,976,812
6% preferred dividend	1,887,854
Total before common dividend	$3,864,666

Therefore the new common will be $2,487,242 annually nearer to dividends than would have been the case for the old common even if back cumulative dividends had been paid on the old preferred stock.

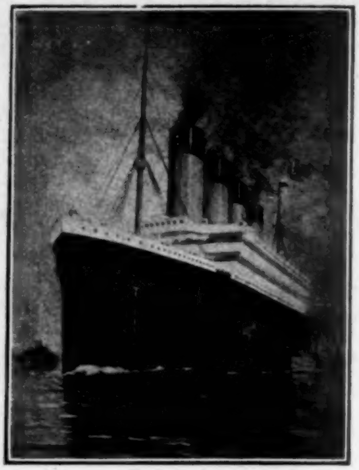
Lines, to above 150, inclusive of those taken for government service. Those that Great Britain is using as transports will be paid for at the end of the war at a liberal rate.

APPRECIATION IN ASSETS

Actual worth of the company's ships and other marine properties today probably is far in excess of what it was at the end of 1913, when the balance sheet gave them a valuation nearly $170,000,000. To this is to be added ships bought or built since then, less depreciation, and also some account must be taken of the big appreciation in value of ships owing to the world-wide shortage of bottoms. Many estimates place the value of ships capable of trans-oceanic travel 50% higher than before the war. As nearly all of the company's ships are of the type or size for crossing the ocean, it is probable that the properties of the company today might be valued at around $250,000,000. The worth of the company's investments has also shown large increase since the war, while its cash position has been greatly strengthened. It is probable that a balance sheet as of current date would show a large surplus even on the old capitalization, while on the new capitalization, the company may have a surplus as high as 100% on the total outstanding common and preferred stock.

NEW SECURITIES WILL BE HIGH-CLASS

In view of the changed status of the company, its new bonds may be expected to rank as a first class investment. Even in its poorest recent year, the net available for interest would have covered the requirements on the new bonds by a wide margin. They will have the strongest equity in the properties. Under present valuations of marine properties, there should be four to six times the value of the bonds found through the sale of the ships of the company without touching any other assets. The new bonds are exchangeable at par for the preferred stock. This should prove a very valuable and attractive privilege to the holders of the bonds.



S. S. Oceanic

The probability of more than sufficient earnings to meet preferred dividends is strong at the present time, with good prospects for payments of more than the 6% in the future.

If in any year the company's earnings drop off, the common stock will not be placed in the hopeless condition in which it was before the reorganization. For the preferred stock is non-cumulative. A close study of the prospects for the common indicates to a careful observer that it should be on a substanial dividend basis in the not distant future.

The market range of the old stock over a period of years is appended. It shows plainer than any words the hopeless position of both the preferred and common stockholders under old conditions.

With its earnings now running at an even higher rate than in the first half of 1915, according to report being above $25,000,000 a year after depreciation, and with the outlook excellent for such earnings during the course of the war and large earnings for years after it, the war has apparently meant more to this company than to any other.

THE SUGAR STOCKS

War's Effect on Sugar—What Leading Sugar Company Stocks Are Worth.

By OLIVER DICKSON

AMONG the many American industries (and to this must be added Cuban companies) which have been affected by the war, near the top of the list comes the sugar producing and refining trade. As a result of the war, all of the evil effects of a reduced tariff have been overcome and prosperity is being enjoyed by all of the companies in this line of business.

The main reason for the change has been the absolute impossibility of obtaining supplies from Germany, Austria or Russia, and this has been accompanied by a tremendous demand for sugar from the other countries of Europe. There is the additional reason for strength in sugar company shares recently through the fact that it is believed now that the Democratic Party, even if it remains in power another four years, will retain a duty, as at present, of one cent a pound on Cuban sugar and 1¼ cents per pound on all other sugar imported.

This does not apply to direct or indirect shipments to Europe from Cuba and consequently this country is particularly benefited by the European demand for "raws."

It has been recognized on all sides that the government revenue of $40,000,000 to $50,000,000 a year derived from sugar imports is desirable if not necessary. It is also known that many are benefited by this, and few suffer loss in the United States, the extra cost from the tariff being distributed widely. It is practically certain that this duty will be retained for the duration of the war, according to those in touch with government trend of thought, and probably after the war also.

SUGAR PRICES

Soon after the outbreak of hostilities in Europe, prices for cane sugar, beet sugar, and sugar products, for raws and refined, went to the highest levels of many years. Europe began buying in huge quantities, especially Great Britain, in this country because of the loss of supplies of German beet sugar. This came in a year of record-breaking production of cane sugar in Cuba, and it had followed several years of good production, and hence supplies were ample for even the tremendous buying which took place. A depression followed, but prices have not at any time been at a level where profits were practically double those obtainable previous to the war, and in recent months the market seems to have steadied down at price levels where, even if the one cent duty is continued, Cuban producers can sell with a large profit here, while American beet sugar and refining interests ought to be very prosperous under current prices and conditions.

Within the past two weeks England and France have resumed buying both raws and refined and prices of both have materially advanced.

POSSIBLE COMBINATIONS

In addition to these factors working for strength in the sugar stocks, there has recently been a movement towards the formation of combinations of sugar companies which should tend to increase the value of the various securities, because of the strengthening of the companies. It is reported in various sugar market circles, and there has been a certain amount of publicity to it, that the larger refining companies are seeking a way to secure control of the producing companies of Cuba and Porto Rico. Cuban monetary affairs have been so disturbed during the last year and the price of Cuban raws has fluctuated so sharply that it is believed to be to the advantage of both American refining interests and Cuban and Porto Rican producing interests to have the former control the latter. Various stock market changes have given a hint that there is some basis

to these reports of such combinations.

A brief survey of the properties and other facts about the leading producing and refining companies whose shares are dealt in on the New York Stock Exchange, on the Curb or are obtainable through houses specializing in unlisted securities, taken in conjunction with the foregoing facts about the strength of the trade, will give an idea as to their general value.

AMERICAN BEET SUGAR

The American Beet Sugar Co. has $5,000,000 6 per cent. non-cumulative preferred and $15,000,000 common stock, with no bonds. Regular preferred dividends have been paid as due; also 5 per cent. on the common stock in 1912, but nothing since. The company was placed in a poor position as a result of the tariff program of the Democratic Party as it owns large beet sugar interests and has the largest beet sugar refineries in the United States, and hence expected to suffer severely from beet sugar imports when sugar went on the free list.

The war has not only offset this, but it will probably be years before the four big beet sugar producing countries of Europe will again threaten large imports here even if the entire duty should come off sugar. The company earned about 8½ per cent. on the common stock available for dividends in the fiscal year to March 31, 1915, and its net available for the common is expected to be at least double that in the current fiscal year. Dividends are expected before long.

AMERICAN SUGAR REFINING

The American Sugar Refining Co. has $45,000,000 7 per cent. cumulative preferred and $45,000,000 common stock, with no bonds. Regular preferred dividends have been paid as due, while the common stock has received 7 per cent annually since 1901, with 22 per cent. paid in 1893 and 12 per cent. from 1894 to 1899. The company has been making increased profits recently as a result of the larger margin between the price of raw and refined sugar. It owns about 45 per cent. of the refinery capacity of the United States, also having interest in cane and beet sugar lands in this country. The company earned over 8 per cent. on the common stock in 1914, while its 1915 earnings are expected to be above 12 per cent. and possibly as high as 15 per cent. on the common stock. It is possible that a higher rate of dividends will be declared on the common stock before long. This company has been one of the leading beneficiaries of the large buying of sugar in this country for Europe, and is reported to have sold thousands of tons to Great Britain and France.

SOUTH PORTO RICO SUGAR CO.

The South Porto Rico Sugar Co. has $3,708,500 8 per cent. cumulative preferred and $3,371,000 common stock with $400,000 6 per cent. bonds. Regular bond interest and preferred dividends have been paid as due. The common stock has received 4 per cent. annually in recent years, with 2 per cent. extra in several. In 1915 so far, it has had 10 per cent. in dividends, while an even higher rate is expected for 1916. In the year to September 30, 1914, the company had nearly 11½ per cent. available on the common stock after preferred dividends, while for the fiscal year to September 30, just closed, earnings were 36 per cent. after depreciation available for the common. The company owns large sugar producing lands in Porto Rico of about 100,000 acres extent, also manufacturing plants, railways, etc.

STEWART SUGAR CO.

The Stewart Sugar Co. has $2,500,000 capital stock, with $1,250,000 6 per cent. bonds and $1,500,000 7 per cent. bonds. Regular interest has been paid on the bonds as due. The stock has received two dividends so far, one of 5 per cent. in December, 1914, and one of 5 per cent. in June, 1915. The company owns about 25,000 acres of sugar producing lands in Cuba, also plants, railways, etc. Its earnings are said to be running at a rate above 15 per cent. on the stock at the present time.

CARDENAS-AMERICAN SUGAR CO.

The Cardenas-American Sugar Co. has $1,250,000 6 per cent. cumulative preferred and $1,500,000 common stock, with no bonds. The company has recently paid off all back dividends due on

the preferred stock, which indicates that its earnings are showing material expansion, but it has not as yet paid a dividend on the common stock. The company owns large plantations, manufactories, railroad and shipping properties, etc., in Cuba. In the fifteen months to October 31, 1914, the company had $54,102 surplus after preferred dividends, but in the fiscal year just ended, it is believed that surplus after dividends on the preferred will be found to be in excess of 6 per cent. on the common stock, and may reach 10 per cent.

CENTRAL AGUIRRE SUGAR COMPANIES

This company is the second largest producer in Porto Rico, and its recent annual statement as of October 14, 1915, shows the crop just harvested as the largest in the history of the company, yielding 32,050 tons of sugar. Gross earnings amount to $3,112,273.88 with a net profit of $1,109,953.03. This net, after all charges, amounted to about twelve times the amount of the preferred dividend or 50 per cent. on the common stock.

The company has a bonded debt of only $16,000 outstanding which cannot be paid until due, and only $1,000,000 of preferred stock, paying 8 per cent., while the present dividend on the common is at the rate of 10 per cent. Capital stock, $2,000,000 common; $1,000,000 preferred. The annual report states that from present indications a material increase in tonnage over last year may be expected.

CUBAN-AMERICAN SUGAR CO.

The Cuban-American Sugar Co. has $7,893,800 7 per cent. cumulative preferred, $7,135,600 common stock and $9,295,000 collateral trust 6 per cent. bonds. Interest on the bonds and regular preferred dividends have been paid in full to date, but nothing as yet on the common stock. The company owns half a dozen important subsidiaries which are among the most important producers of sugar in Cuba. The total production is nearly 500,000,000 pounds of sugar a year. Its other properties include railways, manufacturing plants, docks, over 1,000 buildings, etc. In the fiscal year to September 30, 1914, the company reported earnings of over 30 per cent. on the common stock after preferred dividends, while in the past fiscal year to September 30, 1915, it is believed that fully 60 per cent. on the common will be shown in the annual report. It is because of these earnings that the stock of the company appreciated 500 per cent. in market value during the past year, but if dividends (which are expected soon) are in keeping with earnings, still further advance is to be looked for.

FEDERAL SUGAR REFINING CO.

The Federal Sugar Refining Co. has $3,322,800 6 per cent. cumulative preferred and $6,677,200 common stock, with no bonds. Regular preferred dividends have been paid as due, but the common has received nothing since its 5 per cent. in 1912 and 5 per cent. in 1913. The company's large plants near New York have been working at full capacity night and day for a long time, and the company's earnings are believed to be running at the highest rate in its history. It has received large export orders. The company has not issued an income report since 1911, when it earned over 8 per cent. available for the common stock after preferred dividends. As judged by comparative conditions, earnings should now be far above that figure, and so a resumption of dividends on the common stock is considered probable in the near future.

GUANTANAMO SUGAR CO.

The Guantanamo Sugar Company has no bonded nor preferred stock indebtedness, its total corporate liability being limited to its outstanding $2,737,250 common stock (par value $50). Therefore, its excellent showing of earnings for the year ending June 30, 1915, was directly applicable to dividends on the stock.

Earnings for the year total $1,214,166 equal to 42 per cent. on its outstanding stock and dividends of 12 per cent. cash and 10 per cent. stock were paid on July 23, 1915.

The surplus for the year was $1,894,733 not including reserves for de-

preciation amounting to $588,730; repairs $128,870 and replanting $195,623. The book value is approximately $90 per share.

The company was incorporated in New Jersey on February 9, 1905, and owns about 55,000 acres of sugar lands in Guantanamo Province, Cuba, operating three mills there. It also owns $762,400 of the $998,900 outstanding stock of the Guantanamo Railroad Company valued at $1,000,000 which it carries on its books at $1.00. Production is near 100,000,000 pounds and is reported that a recent sale of 100,000 bags will take care of total expenses and leave a balance of 12 per cent. applicable to the stock. This is about one-third of normal production and, therefore, this season's continued dividends are assured and it is expected a 6 per cent. semi-annual dividend will be paid in December, changing the dividend rates from annual to semi-annual. European selling has no doubt occasioned the established low price of this security, which was recently listed on the New York Curb, and it is anticipated will enjoy an active and higher market.

NATIONAL SUGAR REFINING CO.

The National Sugar Refining Co. has $10,000,000 capital stock and no bonds. The company pays 6 per cent. dividends on the stock, and has in recent years paid the same annual rate. The refining plants, located at various points near or in New York City, have 14,000 barrels daily capacity. Strong talk of increased dividends has been heard recently, and it has been reported in circles familiar with the company's affairs that 10 per cent. could be paid on the stock in 1915, and leave a fair balance over, from current earnings.

SANTA CECILIA SUGAR CO.

The Santa Cecilia Sugar Co. has $721,300 8 per cent. cumulative preferred and $1,500,000 common stock, with $747,000 6 per cent. bonds. Regular interest has been paid on the bonds as due, but no dividends have been paid on either class of stock. The company has large sugar plantations in Cuba, with 30,000,000 pounds per year output, railroads, etc.

The report just published for the year ended June 30, 1915, shows gross revenue for the year was $723,713.39, this includes 7,294 bags of sugar unsold which is figured at cost. In other words, the profits on this amount are yet to be added to the year's earnings. Operating expenses, including repairs and depreciation $529,600.29, leaving net earnings of $194,113.10 equal to over 26 per cent. on the preferred stock.

It is anticipated in view of the general sugar situation that earnings for the present season will be far in excess of the 1914-1915 crop, and it is possible that preferred dividends will be taken up before long and may result in all back dividends being paid off and the way cleared for common stock disbursements.

POOR'S MANUAL OF INDUSTRIALS FOR 1915 IS ISSUED

A Large and Most Comprehensive Work on Industrials

The 1915 edition of Poor's Manual of Industrials exceeds the 1914 issue in size by 412 pages of text. This increase was made necessary by the addition of hundreds of new statements presented for the first time in Manual form. These statements cover companies in which public interest has lately appeared and their presentation makes the book more valuable than ever.

The manual contains information that is fresh, complete, and accurate. It is compiled from official reports and assures subscribers of the best that is to be obtained.

It presents in detail the reorganization of plans of International Steam Pump and International Mercantile Marine Companies. In addition to giving statements on all industrials in which there is public interest, including complete statements of all ordnance and copper stocks, there is an appendix setting forth late information on the Railroads and the Utilities. Among other things, this information covers the details of the Missouri Pacific receivership, the $100,000,000 New York Central R. R. convertible debenture bond issue, the $40,000,000 4½% notes of the Baltimore & Ohio R. R., and the $115,000,000 Pennsylvania R. R. 4½s of 1960 and 1965.

This is the last book of the series for the current year, the two other books covering the steam railroads and the utilities. The three books together contain 7,198 pages, the largest number ever devoted to statements of American corporations. Orders will be filled by the Book Department of The Magazine of Wall Street.

Investment Inquiries

NOTE.—Answers as published in this magazine are selected and condensed from the very large number of inquiries received from our readers. All such letters are answered by mail in advance of publication, hence stamped and self-addressed envelopes should accompany them. Subscribers' inquiries are given the preference in order of answering.

Rock Island Co.

W. B.—Rock Island Co. stock, selling at 37 cents per share, is utterly worthless. This is the stock of the old holding company, as distinguished from the Chicago, Rock Island and Pacific Ry., selling around $17 per share today.

American Linseed-National Lead

Mrs. E. B.—American Linseed seems to have shown strength on general improvement in business, rather than as a result of any special causes. We understand the company has a new food product, somewhat similar to cotton oil, from which it expects to derive substantial profits, and also there has been a considerable increase in demand for linseed oil for some by-product which is used in the manufacture of nitro-glycerine.

National Lead is earning its present common dividend, but is not likely to change the dividend rate in the near future. The company is making considerable money from its subsidiary, the U. S. Cartridge Co., but the latter has two years of borrowings to pay back to the National Lead Co. and is spending considerable money on extensions, so that its earnings available for dividends for some time to come will not be as large as its present business would seem to warrant.

Missouri, Kansas & Texas

Will you please advise me in regard to Missouri, Kansas & Texas common stock? I note the stockholders' committee are asking the stockholders to deposit their stock with the Equitable Trust Company, of New York. Is it necessary for me to deposit my stock, and will it be any advantage to me to do so, or would I lose anything by not doing so?—K. A.

It will be to your advantage to deposit your M., K. & T stock with the stockholders' protection committee, since the purpose of that committee is to guard the best interest of the stockholders, of whom you are one.

In Alvin W. Krech, Charles Hayden and Frank H. Davis, the stockholders have three very able men of the highest reputation. If you do not deposit your stock, you are not doing your part in helping the committee to protect the stockholders' interests.

It would be inadvisable to sell your stock until the terms of reorganization are announced and you have an opportunity to learn what will be the probable effect upon your security.

Corn Products

G. P.—Corn Products appears to be selling up from its low price at 8 reached in last January, upon generally better business, especially the export branch of its activities. The six months ended with June showed a balance of $1,275,924 before dividends, an increase of about $204,000 over the same six months in 1914. We understand that the improvement continues.

Unless there are developments of more importance in the company's affairs than have yet come to light, it is hard to see how its speculative position of the common is very attractive. The accumulated back dividends of approximately 17 per cent. on the preferred stock mean something like $5,100,000, which is more than the total earned for dividends for the last two years combined. Doubtless the stock will continue to respond to improvement in the company's affairs, but it seems that the time when the company will be able to pay anything on its common stock is likely to be a very long way off. While it may yield profits as a speculation it can hardly be classed as an issue whose investment position is better than doubtful.

War Orders for Motors

Do the profits made by General Motors come from "war orders"? Is the domestic truck business very profitable? What "war orders" has Studebaker?—X.

While General Motors has profited to some extent from war business, we understand that it has been the domestic demand for automobiles that has enabled the company to show its large earnings. There is a steady demand for domestic trucks, and a very considerable demand for trucks to be used for war purposes. The latest estimate of Studebaker's war orders gives them a total of about $25,000,000.

Baltimore & Ohio Pref.

L.—We do not see any great probability of appreciation in the price of B. & O. preferred. It is a 4 per cent. non-cumulative stock, and is now receiving its full dividend. Since it cannot receive more than 4 per cent., it is not likely to score any very great advance from its present price of 75. We think the speculative prospects of B. & O. common are better than those of the preferred.

Erie

J. V.—Erie common sold above 52 about ten years ago, and in 1912 it sold at 39⅛. We would not recommend short sales of this stock, as Erie is a growing road, and appears likely to do much better in the future than it has ever done heretofore. If you have some of this stock would hold it for the present.

Investment Digest

INDUSTRIALS

Aetna Explosives.—DECLARED regular quarterly dividend of 1¾% on preferred stock.

Allis-Chalmers.—ORDERS ON hand total $8,000,000 and plant operating at 65% of capacity.

American Beet Sugar.—WASHINGTON REPORTS are to effect that Congress is likely to retain some duty on sugar. Estimates of earnings for this year run as high as 20% on com.

American Coal Products.—STOCK dividend of 5% on common and preferred declared and stockholders given right to subscribe for new stock to extent of 15% of present holdings.

American Cotton Oil.—RUMORS OF resumption of dividend which it is said may take place at next meeting of Board.

American Locomotive.—HAS ORDERS on hand for more than $10,000,000 of locomotives. Company has started deliveries on $65,000,000 shell order.

American Linseed.—BUSINESS IMPROVING through demand for glycerine for manufacture of nitroglycerine and demand for essential oils needed in manufacture of dyestuffs.

American Steel Foundries.—HAS closed contract with British Government totaling $20,000,000 for shell castings.

American Woolen.—REPORTED negotiating 5,000,000 yards woolen cloth war order with Russian Government. This contract will bring the company's war business to between $25,000,000 and $30,000,000.

Baldwin Locomotive.—HAS WAR contracts estimated at $140,000,000. To get new charter permitting company to manufacture munitions.

Bethlehem Steel.—UNDERSTOOD TO be considering plan of capital readjustment whereby number of shares will be increased without changing capitalization in dollars. Negotiations for purchase of Pennsylvania Steel said to have been concluded.

Bliss (E. W.) Co.—HIGH PRICES for stock give rise to rumors of "melon" on common which it is said will take form of a large stock dividend either of stock in treasury or from readjustment of capital.

Cambria Steel.—SALE OF control through stock market said to be approaching completion. Believed that Donner interests will get property at valuation of over $60,000,000 for $45,000 stock.

Canadian Car & Foundry.—HAS SOLD to Royal Securities Company, of Montreal, $250,000 preferred stock, $250,000 common stock and $1,000,000 6% debenture notes of Canadian Steel Foundries, which it controls. Money received is to be used to finance war orders. Business actually signed with Russian Government totals $142,000,000.

Carbon Steel.—REPORTED to have $20,000,000 in war orders and enough business to keep the plant busy for two years.

Car Lighting & Power.—CLOSED several large car equipment orders with the railroads.

Chalmers Motor.—ACTIVITY in stock occasions report that extra dividends are likely. This year's output will be twice that of last year.

Chevrolet Motor.—PRODUCTION running at rate of 25,000 cars a year and 60,000 car production scheduled for next year. Current earnings are at rate of 12½% on stock.

Cuban Sugar.—ACTIVITY in stocks of Cuban and Porto Rico sugar companies furnish basis for rumor that the American Sugar Refining and perhaps Federal Sugar Refining are seeking control of these companies, but in trade circles little credence is placed in this report.

Diamond Match.—DIRECTORS HAVE decided to retire $1,295,000 debentures, in December.

Dominion Steel.—UNDERSTOOD TO have closed war contract for supplies totaling $12,000,000.

Driggs Seabury.—OPERATING at capacity on war orders estimated at $20,000,000. Driggs Fuse Company and Driggs Ordnance Company have been chartered at Albany, the former with $100,000 common and $100,000 preferred stock and the latter with $100,000 common stock.

Eastman Kodak.—DECLARED EXTRA dividend of 10%, bringing total common dividends so far for 1915 to 47½%.

Emerson Phonograph.—EXPERIENCING BIG demand for phonograph records. Is now 1,000,000 records behind in deliveries.

Ford Motor Company.—CASH ON hand equals $2,180 a share. Up to October 1 last company had sold 1,006,805 Ford cars.

General Electric.—BUSINESS FOR 1915 estimated at more than $90,000,000, which would be second best year in company's history.

General Ordnance.—INCORPORATED RECENTLY in Delaware with capital of $500,000 and has purchased plant of U. S. Rapid Fire Gun Company at Derby, Conn.

Goodrich (B. F.) Co.—DIRECTORS not expected to declare common dividends this month. Earnings for year expected to show something like 10% on stock.

Hendee Manufacturing.—YEAR ENDED August 31 understood to show about 4½% on stock.

International Agricultural Corporation.—FISCAL YEAR 1915-16 expected to show profits from acid sales of close to $30 per share on preferred. Such profits would be sufficient to pay accumulated preferred dividends.

Intercontinental Rubber.—REPORTS for year ended July 31, profits of $274,421 and a surplus of $231,237, compared with a deficit of $1,969 last year.

International Steam Pump.—REORGANIZATION PLAN declared operative and $12.50 assessment on common is payable October 14.

Kelly-Springeld Tire.—INCREASED dividend rate to 12% basis, by declaring quarterly dividend of 3%.

Lackawanna Steel.—EARNING AT rate of 11% on stock. This year it should show between $5 and $6 per share. Dividends expected in 1916.

Lake Torpedo Boat.—PLANTS WORKING at capacity on Government submarine orders and bookings from foreign governments.

McCrory Stores.—SALES FOR eight months ended August, totaled $3,335,325, a gain of 12% over same period last year.

Maxwell Motor.—CASH ON hand totals $5,000,000. September shipments totaled 5,800 cars or twice output of September, 1914.

Midvale Steel.—OFFICERS REFUSED to confirm reports of alliance with Cambria Steel and Baldwin Locomotive Company is negotiating for additional war orders.

Mutual Tobacco Co.—INCORPORATED WITH $20,000,000 capital to take over number of long-established tobacco firms in the east.

National Enameling and Stamping.—GRANITE CITY Rolling Mills working over time and employing 3,000 men.

New York Air Brake.—STATEMENT to stockholders says war orders booked total $20,242,000.

Pennsylvania Steel.—PHILADELPHIA INTERESTS believe property will go to Bethlehem Steel Company.

Pittsburgh Steel.—EARNED 1¾% on common stock for year ended June 30. Sales totaled $11,650,000, and surplus for dividends equal to 8.2% on preferred.

Pullman Company.—REPORTED TO have practically closed contracts with Russia for 10,000 freight cars which will enable freight car department to operate at full for 10 months.

Ralston Steel Car.—PASSED COMMON dividend but director says dividend will probably be resumed next quarter.

Riker & Hegeman.—DEAL FOR combination with United Drug Company has been practically closed. Declared quarterly dividend of 1½% on common.

Rumely (M.) Co.—REORGANIZATION PLAN declared operative. Name of reorganized concern not yet decided upon.

South Porto Rico Sugar.—BANKERS PURCHASING stock say they are not acquiring company for American Sugar Refining, but for themselves and clients.

Standard Motor Construction.—OPERATING night and day. Understood to have orders for large number of engines selling for $5,000 each which can be manufactured for $3,500.

Standard Milling.—REPORTED BALANCE of $635,000 after common dividend for year ended August 31 last. Earned 16.80% on common compared with 14.18% in previous year.

U. S. Steel.—NET EARNINGS of $50,000,000 are predicted for current quarter. Buying in all branches of steel business reported large.

Studebaker.—BY END of year will have completed $20,000,000 of war orders on which profits are expected to total $20 per share on common. Production for 1916 expected to show nearly 100% increase over 1915.

Thomas Iron Company. — FROM PHILADELPHIA comes statement that C. M. Schwab has obtained four-month option on Thomas Iron Company at price of $3,000,000.

Tobacco Products.—PLAN TO enlarge business. Earning at rate of $4 per share.

Underwood Typewriter. — SEPTEMBER SALES exceeded previous high record month by 2,000 machines.

United Cigar Stores.—HAVE TAKEN over from C. A. Whelan & Company and Whelan Bros. thirty cigar stores in twenty cities in northern and western New York, doing a gross business of $600,000 yearly. Company has listed $2,117,000 preferred and $15,405,000 common on New York Stock Exchange. Regular quarterly dividend of 1¾% on common declared.

United Fruit. — EARNINGS FOR year to September 30 expected to total $7,500,000, which would exceed previous best year by $1,500,000.

U. S. Rubber.—DECLARED REGULAR quarterly dividend of 2% on 1st preferred and 1½% on 2d preferred.

U. S. Steel Corp.—NET EARNINGS for quarter ended Sept. 30 totaled $38,710,644, as compared with $27,950,055 for previous quarter, and were largest since second quarter of 1910 when net reached $40,170,000.

Westinghouse Air Brake. — EARNED 9.58% on stock for year ended July 31 against 17.73% in previous year.

Westinghouse Electric.—NEW WAR business totaling $12,000,000 and enough other business to bring grand total of war orders above $100,000,000 mark, is expected to be booked shortly.

Willys-Overland. — PRESIDENT WILLYS says plant will produce 150,000 cars this year or twice last year's output. Declared regular quarterly dividend of 1½% on common.

Woolworth (F. W.).—NINE MONTHS ended with September showed gross sales of $49,880,000, an increase of $3,162,000 over same period last year. Declared regular quarterly dividend of 1¾%.

Wright Aeroplane. — ORVILLE WRIGHT has sold interest in company to syndicate, including W. B. Thompson and T. F. Manville, at a price reported to be in neighborhood of $1,500,000.

RAILROADS

Alabama Great Southern.—ANNUAL REPORT for yr. ended June 30 last shows 5.4% earned on ordinary stock against 7% in 1914. Gross earnings were only $4,776,000 against $5,426,000 previous yr., but operating expenses were also much reduced, being $3,653,000 against $4,269,000 in 1914.

Atchison, Topeka & Santa Fe.—ANNUAL REPORT shows only $12,000,000 new investment in property was made, whereas in previous yrs. average has been about $35,000,000. No bonds have been issued since 1912 and no convertibles since 1910. Absence of new convertibles helps price of stock, as supply has not been increased by conversion to any great extent for two years. Operating ratio was 69.3 against 71.1 in 1914 and 70.4 in 1913. This ratio has changed but little since 1910.

Atlantic, Gulf & West Indies.—NEW COMPETITION through formation of American Merchant Marine Co. with $3,000,000 stock is not seriously regarded by officials. Atlantic Gulf has ordered within 2 wks. two new steamers, which alone will cost $3,000,000.

Baltimore & Ohio.—ENLARGED TERMINAL at Chicago will be used by Pere Marquette, Chicago Great Western and the Soo Line as well as B. & O. It will greatly facilitate handling of freight at that point.

Boston & Maine.—TRAFFIC is still running behind 1914, total operating revenues in Sept. being about 1.5% below Sept., 1914, while August showed a falling off of 2.2%.

Canadian Pacific.—TURN IN EARNINGS may have been seen, as recent weeks have shown better gross than in 1914. During last 3 mos. there has been marked improvement in sale of co.'s farm lands. About 200 factories in Canada are working on shells and hundreds are busy on other war supplies. Pres. Shaughnessy says, "Physical condition of road was never better."

Chesapeake & Ohio.—GROSS EARNINGS for yr. ended June 30 last were more than $2,000,000 greater than 1914 and about $4,400,000 ahead of 1913. The increase was all in freight revenues. Operating ratio was 73.2 against 74.1 in 1914, and 73.6 in 1913. Average train load was 962 tons, an increase of 36 tons over 1914, but, owing to lower rates, revenue per frgt. train mile fell from $3.55 to $3.48.

Erie.—INDICATED EARNINGS so far this fiscal yr. equal about 2% on common stock after 4% on 1st and 2nd pfd. Sept. gross was over $6,100,000, and Oct. gross will probably exceed all past records.

Great Northern.—SURPLUS for dividend last fiscal yr. was slightly more than 1914 in spite of a shrinkage in gross of $9,692,000 or 12.6%. However, as there was $18,479,000 more stock outstanding, balance per share was 8.3% against 8.8%. Falling off in gross was due to poor spring wheat crop and general depressions. Decline was met by reduction of operating expenses and sharp cut in maintenance expenditures, amounting to about 33%. Owing to high maintenance in the past, road has not suffered severely.

Illinois Central.—ANNUAL REPORT for yr. ended June 30 showed 6.3% on stock against 7.4% previous yr. Total operating revenue was only $61,700,000 against $65,873,000 in 1914, but reduction in operating expenses and maintenance brought total income up to within $500,000 of 1914. However, interest charges were nearly $1,000,000 greater, so that final surplus was $6,859,000 against $8,138,000.

Kansas City Southern.—EARNINGS 1st 2 mos. of fiscal yr. were $192,000 below 1914. Operating ratio fiscal yr. ended June 30 rose to 70.3 against 68.2 in 1914 and 67.4 in 1913. Rates were considerably reduced, average passenger rate per mile being 2.2c. against 2.3c. in 1914 and 2.5c. in 1913; frgt. rate per ton per mile 0.69c. against 0.78c. in 1914. Position of road is in general good, but low rates have prevented increase in earnings.

Minneapolis & St. Louis.—PURCHASE of Des Moines and Ft. Dodge R. R. has been completed. Des Moines stockholders get 5 pfd. shares of M. & St. L. for 10 pfd. shares of D. M. and F. D., also $500 5% 50-yr. M. & St. L. bonds and cash for coupons due May 1 and Aug. 1, 1915.

Missouri-Pacific.—OPERATING ratio for fiscal yr. ended June 30 last showed an increase to 77.5, but was still much below 1912 (79.9) and 1911 (85.8). Co. found it impossible to reduce expenses much, hence falling off in gross left a deficit for the stock. Average frgt. rate was only 0.77c. per ton mile, against 0.80c. in 1914. This goes far to account for poor returns.

New York Central.—EARNINGS for 1915 will probably be nearly 7% on stock. Estimated increase in gross over 1914 is $6,000,000 and in surplus for dividends about $7,000,000. No dividends are expected on Big 4. owned by N. Y. C.

New York, New Haven & Hartford.—OPERATING REVENUES for 9 mos. of 1915 showed increase of about $1,800,000 over 1914, and a still greater increase in surplus after charges. These gains come on top of an expense account in which economies have been rigidly enforced.

Northern Pacific.—SHARP CUT in operating ratio was made in last fiscal yr.—65.8 against 67.8 in 1914—but owing to reduction of nearly $5,000,000 in gross earnings, surplus for dividends was smaller. Frgt. revenue decreased 9% and passenger earnings 13.4%. The train load was 573 tons against 566 tons.

Norfolk Southern.—BETTER EARNINGS are being shown in current fiscal yr. August and September returns were best for 5 yrs., largely due to improved lumber and coal business. Last fiscal yr. showed a deficit of $206,000 after interest charges.

Norfolk & Western.—LOWER RATES in last fiscal yr. did not prevent slight increase in % earned on common as a result of reduced expenses. Frgt. rate per ton mile was only 4.1 mills against 4.15 mills in 1914 and 4.24 mills in 1913. An increase in traffic density and the train load made it possible for the co. to stand this reduced rate.

Pacific Mail.—REDUCTION OF CAPITAL STOCK to $1,000,000 was voted by stockholders, and surplus of about $5,000,000 will be distributed. This allows $1,000,000 assets to be retained against co.'s $1,000,000 stock. This will make distribution $25 a share. Total amount to be distributed will probably reach $32.50 a share before co. is wound up.

Rock Island.—N. L. AMSTER says: "Co. made poor showing to Oct. 1, due to late crops and farmers holding grain. Earnings next few mos. should improve, as crops in this section are record-breaking. Co. has purchased 4,000 new frgt. cars and many new rails, largest orders ever placed by co. Last yr. co. spent for maintenance nearly 36% of gross, more than spent by any other road in Middle West."

Seaboard Air Line.—NEW COMPANY will have same authorized capital stock as present co. of $27,280,000 pfd., $2,280,000 is to be exchanged for equal par amount of 5% bonds of the Carolina-Atlantic & Western Ry. now outstanding, and $25,000,000 new pfd. is to be exchanged for equal amount of old pfd.

Southern Pacific.—JULIUS KRUTTSCHNITT says: "Decided improvement in frgt. traffic. Revival in copper industry results in larger copper tonnage and in greater transportation of coke, oil, etc. October shows healthy resumption of lumber traffic, which has been very small for 2 or more yrs. Outlook more promising than for a long time past."

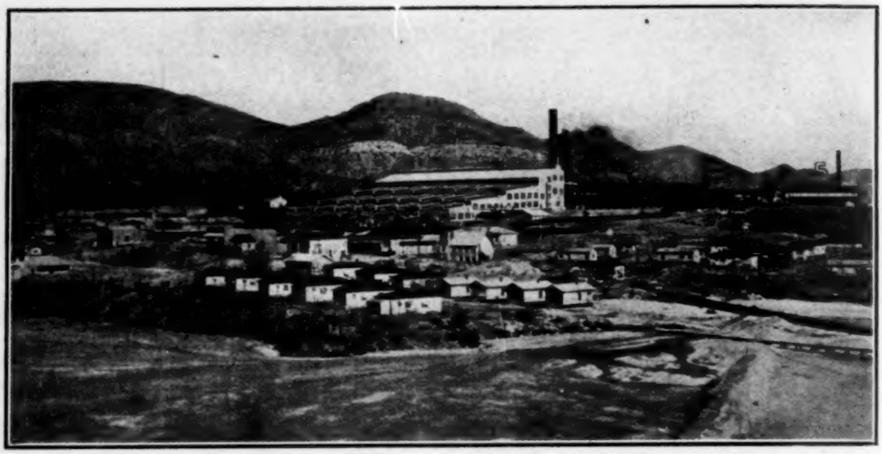
Southern Railway.—ANNUAL REPORT for yr. ended June 30 last showed 2.6% on pfd. against 5% in 1914. Pres. Harrison says: "Loss in revenue for fiscal yr. was 12.1%. Reduction of expenses amounted to $5,585,000, leaving balance of income over all charges of $1,523,000.

Union Pacific.—COMPANY will benefit by improved earnings not only on its own line, but also on New York Central, of which U. P. owns $20,000,000, and B. & O., of which it owns $3,594,000, and Illinois Central of which it owns $22,500,000. Return to 7% dividends is hoped for latter road.

Wabash.—RECEIVERSHIP will probably be terminated at an early date. Charter for new co. has been filed at Indianapolis, capital stock to be $143,460,000, with stock as follows: 462,000 shares 5% profit-sharing pfd., 499,700 5% convertible pfd., and 472,900 shares of common. Edward F. Kearney will probably be Pres. of the new co.

Western Maryland.—GROSS EARNINGS current fiscal yr. should exceed $10,000,000 if the present results are kept up. Reduction in transportation ratio is a favorable feature. First 2 mos. of fiscal yr. this ratio was 31.7% against 36.1% in corresponding mos. of last yr. Not expected that any new financial plan for the co. will be forthcoming until earnings show further improvement.

MINING AND OIL DEPT.



Ray Consolidated Concentrator at Hayden, Arizona

Ray Consolidated.

A Mine That Rose From a Million Dollar Failure to a Fourteen Million Dollar Success—Prospects for Larger Dividends this Year—Investment Value of Ray Stock.

By BARNARD POWERS.

RAY CONSOLIDATED belongs to that famous group of so-called "porphyry" copper properties which have been the sensation of the mining world for the last decade. It is representative of the class of "wholesale" mining propositions. That is to say, Ray was conceived and developed on the theory of a comparatively small recovery of metal per ton on enormous ore tonnages treated.

Utah Copper is perhaps the most conspicuous example of the successful development of that idea, and Nevada Consolidated and Chino belong in the same classification. The essential difference in respect to Ray is that it is entirely an underground proposition while the others are "open pit" or steam shovel mines. Just as the cyanide process revolutionized gold mining, so the large-tonnage-small-recovery theory has revolutionized copper mining and made possible the profitable treatment of bodies of low grade ore which the metallurgists of twenty years ago believed could never be made commercially available. To Daniel C. Jackling, the mining wizard from Salt Lake City, belongs the credit for the fullest development of this theory. Sherwood Aldrich, a New Yorker, who went West and is now Ray Consolidated's president, is the man who realized the possibilities of Ray when it was merely a group of mining claims

in receivership. From the earliest days of the company's history his faith in its future has never wavered and his ability to convince his associates of the soundness of his views has been one of the most important driving factors in bringing Ray to its present highly successful stage of development.

Creating Success from Failure

Ray Consolidated started as a colossal failure. Here is its history in brief, as outlined by one who has followed the company from the start. In the early 70's Arizona was an Indian reservation. Hardy prospectors combing the barren hills, found the outcroppings at Globe of what afterwards became the Old Dominion mine. The Indian agents complained to Washington and the prospectors were ousted. When the reservation was opened by the government the early locators flocked to Globe. On their way they came across iron stained outcroppings shot with reddish-green streaks. They were the outward evidences of Ray's huge ore bodies, but the early prospectors thought they indicated the presence of silver, and it was with the idea of developing a silver mine that the first work was done on Ray's ores. For twenty years these streaks, where they were richest in copper, were mined by various persons. Among them was a man by the name of Ray. His identity is swallowed up in the mist clouding the history of those early times, but his name is perpetuated in the great property in whose development he played so little a part.

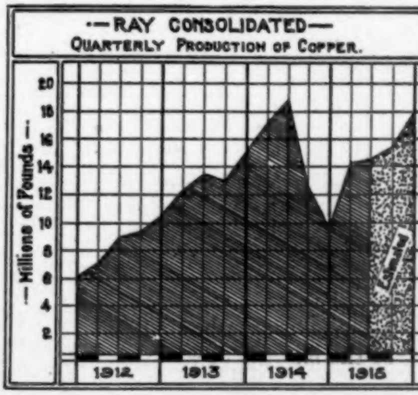
In 1898 an English engineer by the name of Alexander Hill, conceived the idea of obtaining control of a considerable number of claims in the Ray district and incorporating them under the name of Ray Mines, Ltd. He succeeded in interesting English capital to a considerable degree, a 200-ton mill was erected and a six-mile railroad constructed. But although he had the vision he lacked the secret to its success.

In those days no one dreamed of building mills which could treat 10,000 tons a day, and that was the only way in which the low grade ore bodies of Ray could be profitably handled. By 1900 the English company had spent about $1,500,000 and was bankrupt. In 1907 Sherwood Aldrich organized his syndicate and acquired the Ray holdings from the English stockholders, paying partly in cash and partly in stock. At the same time the Aldrich syndicate offered to take an option at $10 a share on the stock which they gave to the English stockholders in part payment. It is of interest to know that only four of the early stockholders believed in Ray and refused to option their stock. The others eagerly accepted the option offer, to their great regret later. The "faithful four" are the only ones who got their money back from their original investment with a profit. Of the four, only two are stockholders of record today.

The syndicate which took over Ray Mines, Ltd., was composed of Sherwood Aldrich, E. P. Shove, C. M. MacNeill, Spencer Penrose, D. C. Jackling, S. W. Mudd and several others.

Ray's Rapid Rise

Under the new management the work of development went on rapidly. The men who composed the syndicate were widely known as successful mining operators and all the capital they needed was forthcoming from eastern bankers. During the first two or three years efforts were concentrated on the development of Ray's ore bodies.



As the tunnels and shafts were driven farther and deeper it was found that ore beyond all expectations lay under unpromising Arizona grass roots. It had been first decided to build a 2,500-ton mill, but shortly a mill treating 5,000 tons a day was determined upon. Later ore developments warranted an 8,000-ton mill, which is the present capacity.

A "True-to-Form" Mine

Ray's growth has been singularly free from upsets or spectacular developments. Like a well-oiled machine, it has progressed from a prospect to mine quite according to schedule. In May, most copper mines, including Ray, cut production in halves because of depressed conditions caused by the war. The same considerations which brought about a 50 per cent curtailment caused Ray's board of directors to pass the quarterly dividend for three quarters. But by the second quarter of 1915 the copper situation had cleared, the order went out to bring production back to capacity and the dividend rate of $1.50 per annum was restored. It is of interest to note that while Ray did not pay its dividend for three quarters, it could have done so without showing a deficit for the year as a whole.

RAY CONSOLIDATED

Condensed Analysis of Operations by Quarters

	1912				1913			
	1st Q.	2nd Q.	3rd Q.	4th Q.	1st Q.	2nd Q.	3rd Q.	4th Q.
Production (lbs.)..	7,123,000	8,952,000	9,296,000	10,491,000	12,370,000	13,402,000	12,969,000	15,005,000
Cost per lb.......	10.17c.	9.95c.	10.02c.	9.37c.	9.50c.	9.55c.	10.15c.	9.98c.
Price of copper...	15.39c.	15.47c.	17.13c.	15.04c.	15.15c.	15.00c.	15.00c.	14.83c.
Net profits	$358,625	$481,945	$650,712	$538,827	$682,625	$726,759	$661,085	$744,017

	1914				1915	
Products (lbs.)	17,234,000	18,748,000	12,475,000	9,563,000	14,463,000	14,524,000
Cost per lb..........	9.21c.	8.62c.	8.84c.	8.71c.	8.87c.	9.12c.
Price of copper.......	14.41c.	13.91c.	12.48c.	10.86c.	14.32c.	18.63c.
Net profits	$877,444	$959,494	$420,922	$174,945	$741,539	$1,340,886

1910, the company's capital was increased from 1,000,000 shares to 1,200,000 shares, par $10, the 200,000 shares being used to acquire the capital stock of the Gila Copper Company, which owned 950 acres of lode claims, 40 of which were almost entirely encircled by Ray's claims. The exchange basis was 1 share of Ray for 3 shares of Gila stock. Ray now has 1,455,000 shares outstanding.

In 1910 ground was broken for the mill and about a year later the first unit commenced to tune up. By 1912 Ray had advanced to the dignity of quarterly reports and by the end of that year production had crossed the 10,000,000 lb. mark for a quarter. The table shows the net results of Ray's operations for the last four years and the current year so far reported. The graphic shows how Ray's production has steadily climbed with the exception of the last two quarters of 1914, when

Larger Dividends This Year

Unless there is something to upset calculations in the next month, Ray will declare a larger quarterly dividend towards the end of next month, as a Christmas present to its stockholders. The amount of this dividend has not been decided. Ray should earn, figuring on the present price of copper, something like $5,000,000 net this year. That means approximately $3.40 a share on Ray's 1,459,000 shares outstanding. Deducting the regular dividends for this year would leave about $2.25 available for extra dividends, or an increase in the dividend rate. Ray has all the working capital needed and contemplates no extraordinary expenditures, but the conservative position the management has always taken on the dividend question would indicate that all the balance available for a larger disbursement will not be distributed. It is well within reasonable expectations, however, that

enough will be paid to make up for when dividends were suspended.

The Outlook for Ray

Ray is a young company as companies are rated. Its corporate life is still less than nine years long. During that time it has gone a long way and still has much farther to travel. At the present time it has reserves of 75,000,000 tons of proved ore and at least 100,000,000 tons, including indicated ore bodies, while it would not surprise those who have seen Ray grow from a prospect to a mine, if the final ore tonnages exceeded the last figure by a very considerable total. But in mining circles it is not good form to state publicly more than actual proved damages. On an ultra conservative basis of calculation, Ray has a life of at least 25 years.

Ray's mill and mine has a rated production capacity of 100,000,000 pounds of copper per annum. It will take some time to bring the property to that production stage. Next year Ray is expected to produce between 85,000,000 and 90,000,000 pounds of copper at a cost of about 7½ cents a pound. Allowing a cost of 8 cents for the sake of conservatism, it will be seen that on that production basis Ray could earn, with copper selling at 14 cents a pound, about $100,000 more than it will show this year, or better than $3.40 a share. With copper at 18 cents a pound, Ray could earn on the above basis about $5.80 per annum.

Another factor which will be of vital importance in Ray's development is the working out of an oil flotation process as applied to the treatment of Ray's ores. So much success has already attended the efforts made along this line that the statement is warranted that the final adaptation and installation of the process now being worked out, will almost double Ray's earnings as compared with the past.

This, and the goal of 100,000,000 pounds annual production, towards which Ray is progressing steadily, gives an idea of the possibilities of growth which lie ahead in the next few years.

Investment Value

Taking into consideration Ray's past performance, its present scale of operations and prospects for the immediate future, it is estimated that on a conservative basis Ray's stock has an investment value of between $35 and $40 a share.

The Fisk Bond Books

The fourth of the series of Bond Books, published by Harvey Fisk & Sons, dealers in government bonds and investment securities, deals with the Government Bonds of England and France, including a historical sketch of the finances of each country and a description of their resources. In view of the new $500,000,000 loan this book is very timely and will be invaluable to many individual investors and institutions. The other books in the series are: No. 1, United States Bonds; No. 2, Hudson & Manhattan Railroad; No. 3, New York Central Railroad; No. 4, English and French Bonds; Nos. 5 and 6 (in preparation), Russian Bonds and German Bonds. Copies may be had of Harvey Fisk & Sons, 62 Cedar street, New York, without charge, upon mention of The Magazine of Wall Street.

The Union Tank Line Company

A Former Standard Oil Subsidiary Which Is Richer Than It Seems

By CHARLES H. PLATT.

IT is not at all unusual to find, upon careful analysis of statements of a corporation, that it does not seem to have made due allowance for depreciation, but it is rare to find instances where, to the eye of the outsider at least, too much seems to have been written off for such purposes. It is possible that the officials of the Union Tank Line Company, a former subsidiary of the Standard Oil Company of New Jersey, can find a convincing explanation of depreciation charges of $3,000,000 in 1912, $3,400,000 in 1913, and $3,800,000 in 1914 on property valued at $12,918,480 before depreciation at the end of 1912. If they can, it means that they consider their tank cars good for less than four years use before becoming worthless. It is very possible, however, that an explanation of former depreciation charges would revolve around a claim that old wooden cars were only good for four years use on the basis of their condition at the end of 1912. If so, such a basis of charge can scarcely be continued for the new steel tank cars which have been bought in the last few years, and so earnings available for dividends ought to increase materially when the extraordinary policy of depreciation write-off is discontinued.

History and Business.

The Union Tank Line Company was incorporated in New Jersey, in 1891 to handle the railroad transportation business of the Standard Oil Company of New Jersey. It was made an independent in the dissolution of 1911, and has since extended its operation to service for other companies in addition to those of the Standard Oil group. Most of its property consists of tank cars, of which it owns about 12,000 to 14,000. Recently purchased cars are of 8,000 and 10,000 gallons capacity and are of all-steel construction. It has two main sources of income—one a charge to shippers of crude and refined oil for loading and for each day the cars are under load, and the other a charge of three-quarters of a cent per mile from railroads for the use of its cars. At the present time, a petition is before the Interstate Com-

THE BALANCE SHEET

ASSETS Dec. 31—	1914	1913	1912
Tank Car Equipment	$14,010,309	$13,609,994	$12,918,480
Depreciation	3,865,220	3,485,735	3,040,630
Net Equipment	$10,145,089	$10,124,259	$9,877,850
Real Estate	13,224	....	....
Materials, Tools, etc	407,541	380,126	49,721
Office Furniture	14,250	13,948	11,765
Cash and Investments	1,369,196	1,861,629	1,249,109
Receivables	537,289	....	....
Deficit	....	....	885,881
Totals	$12,486,690	$12,379,962	$12,074,326
LIABILITIES			
Capital Stock	$12,000,000	$12,000,000	$12,000,000
Accounts Payable	82,148	62,614	74,326
Surplus	404,542	317,348	....
Totals	$12,486,690	$12,379,962	$12,074,326

merce Commission to allow an advance in this charge to one cent per mile.

At the end of 1911, the company had a profit and loss deficit of $2,191,653. At the end of 1914, this had been converted into a surplus of $404,542, indicating surplus for the three years of $2,596,195, in addition to $600,000 in dividends in 1914, or a total net of $3,196,195. The company has $12,000,000 capital stock (no bonds), so this meant the equivalent of almost 9 per cent. a year available for dividends. In addition to this, a total of $10,391,585 was written off for depreciation in 1912-14. This brings the total net income of the three years from operations to $13,587,780 before depreciation. To this, in order to figure net from operations, must be added the sums expended above, there are many corporations which do not make due allowance, or any at all, for depreciation. It seems reasonable to an outsider that a steel tank car, which is used only for carrying liquids and not for heavy freight, ought to last ten years. Such a basis of depreciation, deducted from $4,600,000 a year net from operations, would be about $1,500,000 a year at the most on the tank car equipment shown in the last annual report of this company. Allowing for 1,000 new tank cars a year at $1,000 each, or $1,000,000 new equipment, there would still be about $2,100,000 net available for dividends shown by this company on its past record. Such a sum would provide a small balance above 18 per cent. a year on the stock

MARKET MOVEMENTS OF UNION TANK LINE CO. STOCK

	1912	1913	1914	1915 (to Oct. 8)
High	102	94	109	87
Low	40	60	72	78

for new equipment. No statements of such have been made, but there was $9,877,850 in the balance sheet for equipment after depreciation at the end of 1912 and $10,145,089 after depreciation at the end of 1914, a difference of $268,761 for two of three years under consideration. This makes a total of about $13,855,000 net from operations in three years before allowance for depreciation or new equipment.

Earnings On Stock.

The sum of $13,855,000 net from operations, or about $4,600,000 a year, might have been shown by some companies as its net available for dividends during the period, for, as was intimated

Dividend Prospects.

The company's business has been steadily improving during the last few months owing to the great recovery in the oil business which has taken place. Its earnings should therefore be on a larger basis than figured above. The stockholders received 5 per cent. a year in dividends in 1914 and 1915. At recent prices of $80 to $85 per share, this meant a yield of above 6 per cent. a year to the purchaser. In addition, the policy of large charges for depreciation may be abandoned sooner or later which would permit larger net earnings, and which would pave the way to larger dividend disbursements.

Mining Inquiries

Guggenheim Exploration

P. A.—What effect will the Guggenheim Exploration "melon" have on the price of the stock? Do you consider it a purchase at the present time?

Assuming that the prospective "melon" has a value of $20 a share, the stock of Guggenheim Exploration should sell off to that extent when the company's books close before the payment of the extra dividend. It is very difficult to determine when a stock has fully discounted coming events. Guggenheim has had a very considerable advance. It has a book value of something like $80 a share, but has always sold below its book values. Taking that into consideration and the fact that the "melon" is only under consideration at the present time and that events might take place to cause the distribution to be deferred until a later date inclines us to recommend conservatism in purchasing this stock at present prices.

Calumet & Hecla Mining

A. P. H., Brooklyn, N. Y.—Calumet & Hecla is one of the oldest and most successful copper companies in existence. Up to December 31, 1914, it had paid $124,250,000 in dividends. It owns directly or controls through other companies about 74,000 acres, or 117 square miles. The last dividend paid September 25 was $15, making $45 for this year. Last year the company paid $10. There are no figures on ore reserves, but the history of the Lake Mines, which compose these groups, is that the ore bodies persist to great depth, and doubtless this property will continue to operate successfully for many years to come.

St. Joseph Lead

W. C. G., Bayside, N. Y.—We understand that the St. Joseph Lead Company is a very good organization, and that its stock has real intrinsic worth. It was incorporated in 1864 in New York, and has $14,095,050 of stock outstanding of an authorized $20,000,000, par $10. Its funded debt consists of $2,239,000 6 per cent. gold notes due January 1, 1918.

Clinton H. Crane is president, and E. C. Smith and R. R. S. Parsons are vice-presidents.

It might be classed with Chile, Alaska Gold and Braden, although it has less speculative possibilities than any of these three, and far less of a public following.

We understand that it has a very valuable contract for a large part of its production of this year at a satisfactory price. We are of the opinion that it is a good, long pull stock.

Chile Convertibles

B. C. D., Brooklyn, N. Y.—The Chile Copper Company has $15,000,000 collateral trust 7 per cent. convertible bonds due May 1, 1923. These bonds are like any ordinary bond, except that they are convertible into the stock of the company on the basis of one share of stock par value $25 for each $25 par value of the bonds. That is to say, a $1,000 bond is convertible at any time up to maturity of the bond, May 1, 1923, into forty shares of Chile stock. The bonds pay 7 per cent. interest, and as they are convertible their price naturally fluctuates in accordance with the price of the stock.

Miami's Earnings

R. D., N. Y. City.—Miami's earnings per share for the last four years have been as follows:

1915 (first six months)	$1.74
1914	1.68
1913	2.81
1912	.74

At the present time it is producing at the rate of about 48,000,000 pounds of copper annually, and at a cost (according to the statement for the six months ended June 30) of 8.68 cents a pound. That means a profit per pound of copper produced of 9.32 cents when copper sells at 18 cents, and 5.32 cents when copper sells at 14 cents.

Earnings on present production with copper at 18 cents and at 14 cents (the latter being the ten year average price of the metal) would be as follows:

	On 18 Cent Copper.		On 14 Cent Copper.
Profits	$4,473,600		$2,553,600
Divs. (4)	2,988,448		2,988,448
Surplus	$1,485,000	Deficit.	$434,848

In short, Miami is all right as long as the price of copper remains high, but is likely to have to reduce its present dividend if the metal strikes a snag and comes back to normal levels for any extended period.

Chino

S. B., Milburg, Mass.—Chino Copper (48) is excellent stock, and we believe it will sell higher before the end of the year. It is expected that Chino and several of the other "porphyry" companies will pay extra dividends towards the end of the year; therefore, it might be a good plan for you to sell half of your Chino at this time, and hold the rest for further advance.

Alaska Gold

B. F. K., Columbia.—In our estimation, Alaska Gold is one of the best stocks of the entire list. It is a long pull proposition, however, and by the time the company is in a position to pay dividends, ought to show a considerable appreciation above its present price.

Mining Digest

Allouez.—DIRECTORS MEET October 28 and question of whether another $1 dividend will be declared has not been decided. Net earnings for ten months ending with October estimated above $7 per share.

American Zinc.—WORKING CAPITAL nearly $2,000,000 and September and October's earnings expected to exceed the $1,000,000 total of July and August. Sulphuric acid profits estimated at rate of $1.50 per share on stock.

American Smelting & Refining.—VILLA'S THREAT to take over company's plants at Chihuahua has not yet been put into execution. Properties in Villa's territory valued at upwards of $30,000,000.

Anaconda.—PRODUCTION THIS YEAR promises to total 250,000,000 lbs. On that output and 18c. copper company should earn at rate of between $13 and $15 a share. Stated Anaconda will take over Butte-Duluth Mining Co., now in receivership.

Cerro de Pasco.—THIS PROPERTY, controlled by Haggin, Mills, Morgan and Hearst estates, has been underwritten by New York banking house and the stock largely oversubscribed. Company produces 75% of copper exported from Peru and its smelter has a monthly capacity of 6,000,000 lbs.

Braden Copper.—RUMORED COMPANY will finance floating debt of between $5,000,000 and $6,000,000 through issue of stock. September's production of 3,200,000 lbs. was greatest monthly output yet obtained.

Butte & Superior.—PRODUCED 12,950,000 lbs. of spelter in September, showing a 92.79% recovery from concentrate.

Calumet & Hecla.—NOW EMPLOYING more than 10,000,000 men. Regrinding plant at Lake Linden produced, during September, at rate of 4,000,000 lbs. per annum.

Chile Copper.—CAPACITY OPERATIONS at 10,000-ton mill will be under way by end of October. Engineers at work on plans to bring capacity to 20,000 tons daily and eventually 30,000 tons.

Chino.—TREATING HIGHER GRADE of ore than average of entire deposit, and this is likely to continue ten or more years. Foreign liquidation in stock believed to be about completed.

Consolidated Arizona.—R. M. THOMPSON, of International Nickel Co., understood to have obtained control.

Consolidated Copper Mines.—REPORT FROM J. Parke Channing on property extremely favorable. Has offered to sell certain claims to Nevada Consolidated for $1,000,000, which, with sale of $1,000,000 treasury bonds, would provide money for the development of property.

Copper Range Consolidated.—STOCKHOLDERS endorsed plan to exchange shares of operating company for those of holding company. Following completion of details a dividend of $3 per share will be paid. Earnings this year estimated between $9 and $10 a share.

Davis Daly.—SHIPPING 100 tons of ore daily, averaging above 6% copper.

First National.—NOT UNLIKELY that company may commercialize sulphur contents of ore through production of sulphuric acid. Stockholders have been asked by Thomas W. Lawson for option on holdings on basis of $5 for one-third of holdings, $7½ for one-third and $10 for one-third, for three months from October 6.

Goldfields Consolidated.—NET EARNINGS for August total $107,000 against $128,000 for August, 1914.

Granby Consolidated.—PRODUCED IN August over 4,000,000 lbs., of which 2,500,000 lbs. was from Hidden Creek property. On this production and 18c. copper, earnings estimated at above $20 a share.

Greene-Cananea.—HAS BEEN listed on Stock Exchange. John D. Ryan says property has enough ore opened up to produce 50,000,000 lbs. annually for four years.

Kennecott Copper.—DIVIDENDS AT rate of $5 per share expected in January. Arrangements have been made to continue monthly shipment during winter.

Kerr Lake.—DECLARED REGULAR quarterly dividend of 25c. Report for year ended August 31 shows net profits $551,000 against $621,000 in 1914. Dividends paid during year totaled $620,000.

Lake Copper.—HANDLING MORE than 300,000 tons of rock daily and on present prices operations are paying for themselves.

Miami.—DECLARED quarterly dividend of $1 a share. Produced 3,950,000 lbs. in September against 4,038,000 lbs. in August.

Nipissing.—NET PROFITS for September estimated at $118,000. Officers expect surplus in ore reserves on January 1 next to be as large as year previous.

North Butte.—IMPORTANT STRIKE made on 2,800-foot level where new ore body five feet wide averaging 10% copper has been found.

Ray Hercules Copper.—ORGANIZED to acquire majority of capital stock of Arizona Hercules Copper. Frank C. Armstrong is president of the new company.

St. Mary's Mineral Land.—DECLARED DIVIDEND of $1 a share. Since organiza-

tion company has paid $38.75 or total of $6,200,000 to stockholders.

South Lake Mining.—STOCKHOLDERS OFFERED right to subscribe for 10,000 shares of treasury stock at $5 a share.

Stewart Mining.—EARNINGS IN September estimated at between $65,000 and $70,000, comparing with $90,000 in August.

Tennessee Copper.—STOCKHOLDERS APPROVED issue of $3,000,000 1st mortgage, 10-year convertible 6% bonds, of which $2,000,000 to be issued now. Capital stock increased from $5,000,000 to $6,875,000 to provide for conversion of bonds. Proceeds to be used to retire $800,000 bonds now outstanding and to increase company's capacity.

United States Smelting.—RECOGNITION of Carranza by U. S. Government regarded as most favorable development in company's affairs.

Yukon Gold.—HAS ACQUIRED additional placer mining acreage in Ruby district, Alaska, which it plans to operate next spring.

Oil Notes

Colonial Oil.—DIRECTORS HAVE approved plan for liquidation and stock holders' meeting has been called for November 11.

Houston Oil.—OFFICERS SAY motion filed by Thompson Ford Lumber Co. for rehearing of suit in which Houston Co. obtained judgment of nearly $100,000 has been denied. Arrangements for Houston's financing and development have been completed by Baltimore bankers, and it is planned to exploit company's oil and timber lands in east Texas on large scale.

South Penn Oil.—CONSTANTLY INCREASING demand for crude oil should put company in a position in regard to dividends as before the war, when it was paying quarterly dividends of 3% and 3% extra. On 1913 high crude oil prices earnings equaled 53%.

Standard Oil of California.—BUILDING TWO tank boats costing $1,000,000 each and is establishing new plant at Richmond, Cal., for manufacture of Russian medicinal products.

Standard Oil of Indiana.—RESUMPTION OF extra quarterly payments by next quarter is expected by interests close to company.

Standard Oil of New Jersey.—CARTER OIL COMPANY, a subsidiary, has bought 60 tank cars of 55,000 barrels capacity at price understood to be above $3,000,000. Baltimore plant is being enlarged at cost of $1,000,000.

Cheaper Than for Cash

When is it cheaper to buy on credit than for cash? "Never," answers the average person.

But an enterprising odd lot house has figured out how, in the case of investment securities which yield greater than 6%, it is cheaper to buy them on the partial payment plan than for cash. For instance, if you bought 10 shares of American Woolen preferred, selling at 93, making the regular initial deposit of $200 and paying $50 a month, your account would show as follows, when you had made your last payment:

Cost.		Payments.	
10 at 93	$930.00	Initial	$200.00
Commission	1.25	Monthly	750.00
Interest	30.00	Final	11.25
Total	$961.25	Total	$961.25

Now the average amount on deposit during the 16 months was $575, or at the rate of $431.25 per annum. Accrued dividends for 16 months equaled $93.30, and interest charges totaled $30. Hence net income for 16 months was $63.30, or at the rate of $47.50 per annum.

On the average amount invested during the 12 months—$431—a return of $47.50 is equal to 11%. If the stock had been purchased outright the yield per annum on the purchase price would have been approximately 7½%.

TRADERS' DEPARTMENT

HOW TO READ THE FINANCIAL PAGE

By SCRIBNER BROWNE

Part VI

Bank Clearings—Gold Movements—New Securities

A GREAT variety of business statistics appear on the financial pages of our best dailies and are repeated and summarized, added to and elaborated, in various weeklies, in THE MAGAZINE OF WALL STREET (fortnightly) and in some monthlies.

Most readers get but little good from such compilations because they have only an inadequate idea of the bearing and effect of the figures on the investment markets.

The fact is that the scientific interpretation of business and financial statistics is not very far advanced. In many cases the figures have not been available for a long enough period for their relation with the security markets to be thoroughly tested out by experience.

One difficulty is that the movements of the stock market anticipate nearly all business statistics. For example, a big increase in steel orders and in pig iron production does not appear in the published figures until long after U. S. Steel common stock has had a considerable rise.

For this reason the reader of financial news cannot benefit from a superficial glance at business statistics. He cannot say to himself, "Bank clearings are much larger. This shows improved business conditions. Therefore stocks will advance." This method of reasoning will do him more harm than good, because it will frequently lead him astray—and the times when it will lead him astray will be just those times when he should be acting contrary to the superficial trend of business statistics.

What he must say is something like this: "Bank clearings are much larger. This shows improved business conditions. Stocks have risen in anticipation of these improved conditions. Will there be a further improvement in business as to warrant a still greater advance in stocks?"

If so, he will hold his stocks. If not, he will sell them, in spite of the good business conditions.

Bank Clearings

One of the most interesting points to watch is the progress of bank clearings. Such a large part of the business of this country is done by means of bank checks that the amount of the checks passing through the banks from week to week affords a pretty good gauge of general activity.

These figures are compiled in two forms: (1) Total bank clearings of the United States. (2) Bank clearings excluding New York City.

The reason for this is that under ordinary conditions considerably more than half of the bank clearings of New York City result from sales of stocks and bonds, and since the clearings for New York are usually more than one and one-half times as great as those of all the rest of the country together, a

big speculative activity at New York might overbalance dullness everywhere else and make a misleading showing for the total clearings. The clearings outside of New York give the best indications as to the progress of purely industrial conditions.

The stock market anticipates bank clearings, as it does other similar statistics. Clearings represent business *payments,* which are necessarily considerably behind the ordering of goods and usually behind even the delivery of the goods. I believe no figures have ever been compiled to show what proportion of the business of the country is done on a cash basis and how much on credit; but it is a matter of common knowledge that the vast majority of large purchases are made on time—30, 60 or 90 days, and sometimes longer. The natural result of this is that bank clearings are always behind time as an indicator of current conditions.

Gold Movements

The U. S. Treasury gives out each month figures showing imports and exports of gold, with the balance on either side. These figures are important because gold is the basis of credit. An increase in our holdings of gold means that our banks can extend more credit, and easy credit contributes toward higher prices for securities and toward greater activity in other lines of business.

On the other hand, when we export gold that means that the props are being pulled out from under our credit position. This may or may not have an immediate effect. In a case like the present, when our banks have more gold than they know what to do with, gold exports would not have any depressing effect—would not even serve to check a bull movement in the stock market. But at a time when our bank reserves are low, exports of gold will take effect almost at once in compelling the contraction of credit.

It is equally true that imports of gold may not have any immediate effect. If we have plenty of gold on hand to support all the credit that can be legitimately and advantageously used, then an increase in our supply of gold will not at once change the credit situation. But the time will eventually come when credit is widely extended and is limited by the supplies of gold in the banks' reserves. Then all our past imports of gold come into play and permit us to raise the structure of credit higher than we could have done if the gold had not been imported.

In November and December, 1907, it was our big imports of gold that really checked the panic and permitted the restoration of normal credit conditions. Over $106,000,000 gold was brought into this country in those two months.

During 1908 we exported a net balance of nearly $31,000,000 gold and in 1909 there was a further net export of about $89,000,000. Without any question these exports were gradually checking the possibility of credit expansion. The movement culminated with a gold export balance of $34,000,000 in April, 1910, and during the next three months the stock market suffered a sharp break. In July and August nearly $20,000,000 gold was imported and this helped to restore better conditions.

During 1911 and 1912 we continued to import gold, and the movement was accompanied by a slow bettering of both investment and business conditions, but in 1913 we exported $28,000,000 gold on balance and the outbreak of the European war, in 1914, caused a further large outward movement of the precious metal. In the six months ended with October, 1914, we exported $168,000,000 gold. Business had, however, been so demoralized by the fears generated by the war that this gold was not needed in America. In 1915 came the big return flow of gold, with much more prosperous investment and business conditions.

I give the above brief outline so that the reader may have some idea what he may expect to get out of the figures on the gold movement. Its effects are reasonably prompt when our bank reserves are low. When bank reserves are high, as at present, the effect of gold exports or imports may be long delayed; but since gold lies at the basis of

credit, the effect must come eventually just the same.

When we come to production of gold, which is estimated from time to time by various authorities, its effects are too remote to be of much interest to the average reader of the financial page. In a general way the greater the production of gold in proportion to the world's use for gold, the higher commodity prices must rise—the "high cost of living" we have heard so much about—but the whole problem is very complicated, and in any event the effect of increased or decreased production is noticeable only over a long period of years.

The Treasury's estimate of money in circulation, which appears monthly, is of no practical help to the investor. The important question in this connection is whether the money is lying idle in the banks or is in active use, either passing from hand to hand or being used as a basis for credit. This we have to learn from other sources. It is the expansion or contraction of credit that is the overshadowing influence under modern methods of doing business.

Issue of New Securities

Monthly figures are available giving the total issue of new securities in this country, also the total of new securities listed on the Stock Exchange. Both these items show, in a general way, how fast our accumulating supply of capital is going into use.

If only a small quantity of new securities are being floated, more capital is accumulating for future use—other things being equal—than when a large quantity of new securities are being sold to the public. If money is not going into new securities, it is likely to go into old securities, thereby advancing their prices. If money has gone very heavily into new securities, the result may be that existing stocks and bonds will have to come down as a result of withdrawal of capital previously invested in them by the public.

In 1909 and 1912, for example, unusually large amounts of new securities were floated. It will be remembered that both these years were followed by declining stock and bond markets. The supply of capital available for investment had been temporarily reduced through the issue of too many new securities. In 1913 and 1914 new issues were unusually small. The result was a piling up of capital which took effect in the bull market of 1915.

(To be continued.)

Market Statistics

	Dow Jones Averages 12 Inds.	Dow Jones Averages 20 Rails.	50 Stocks High.	50 Stocks Low.	Total Sales.	Breadth (No. issues).
Monday, October 11	114.67	103.53	90.22	88.31	1,285,900	226
Tuesday, " 12—Stock Exchange closed.						
Wednesday, " 13	114.00	102.55	90.24	88.71	1,180,400	240
Thursday, " 14	113.25	101.40	90.07	88.41	1,124,400	223
Friday, " 15	112.54	101.06	90.14	88.27	838,800	212
Saturday, " 16	113.27	101.33	89.67	88.55	388,600	173
Monday, " 18	115.28	102.48	90.90	89.45	895,200	202
Tuesday, " 19	115.29	102.15	91.52	90.10	1,041,900	207
Wednesday, " 20	115.51	101.79	91.92	90.33	943,400	198
Thursday, " 21	117.22	101.54	93.55	90.08	1,132,400	209
Friday, " 22	118.05	102.29	94.13	91.84	1,184,200	204
Saturday, " 23	118.14	102.51	92.60	92.92	487,200	180

The Curb Market

Its Place in the Financial World—What Classes of Stock Are Listed—Methods of Working.

By HOWARD THOMPSON

EVERY business day of the year you can see a crowd of curious folk from all over the country gaping in astonishment at the most individualistic American institution known to the business world—the "Curb" market.

Just a little south of the New York Stock Exchange and the house of J. P. Morgan, on Broad street, there congregates every business day a group of from one hundred to two hundred men, the number depending on the amount of business being done in the stock markets of the country. You see them gather inside a roped arena in the middle of the street. One minute before ten they gather in little groups and at the stroke of ten given from a big clock in the window of a house opposite, the crowd there goes up a din like bedlam.

Each little group is a "post", as would be said in the big Stock Exchange, and at each spot there is the trading in one particular stock. One day there may be six large groups that form the nucleus of the crowd; another day there may be ten groups, and another day there may be no indication of especial groups. This is due to the fact that different stocks become prominent on different days, so that two-thirds of the brokers may be trading in a half dozen stocks, while the other third moves around in the crowd listlessly.

On the day that Driggs-Seabury Ordnance stock was first traded in, at one minute to ten seventy-five brokers got together as though they were tied together by a string, shouting, almost fighting to fill their orders. Everybody wanted to buy—but one man—and he had almost no stock to sell—consequently the incipient riot. The actual work of the day on the Curb market is intensely interesting to the onlookers that visit New York. The visitor is mystified by the signs of the hand that are flashed from nearly every broker in the great crowd to someone in a window opposite the group.

This operation should be explained. The broker in the crowd holds up his hands to be seen by his colleague in a window opposite and by the use of various combinations of fingers, something like the deaf-mute language, gives the prevailing price at the moment, or possibly the price at which he bought or sold some stock. This man in the window is at the end of a telephone line which runs to a brokerage house, it may be a purely "Curb" house with no Exchange affiliations, a New York Stock Exchange house, or a Consolidated, or even a house that is still different in character. The message is flashed over this chain, so that if there is no particular interruption the customer in the house knows in two minutes the result of his transaction.

The system is much the same for the Big Exchanges, only that the trading is done inside of a building and instead of the sign language from the end of the telephone to the broker on the floor there is a page carrying messages back and forth.

Here, then, are three distinct big markets in New York in each of which there is done every day a tremendous business. On the New York Stock Exchange are roughly eight hundred stocks listed and about as many bonds. On the Consolidated Exchange, another indoor market, there are several hundred issues, practically the same as those on the floor of the Big Exchange, while in the Curb market (so-called because it is conducted in the open air in the street) there are also several hundred securities, some of which are listed and others not listed.

On the Big Exchange there formerly was an "unlisted" department which included stocks about which only comparatively little information was offered by the company. Several years ago this department was abolished. All stock on

the Big Board are now "listed," which means that very full information is demanded before they are allowed on the trading list and that regular reports thereafter are issued.

On the Consolidated Exchange the same situation exists because the stocks there are for the most part those on the New York Stock Exchange. On the "Curb," however, listing means only a superficial statement of the position of the company, such facts and figures as are obtainable from any manual. There are also those which are not listed and about which little or no information can be obtained.

A Free Market

In a sense, therefore, the "Curb" market is an absolutely free market where anyone may trade with anyone else in anything in the line of a security—stocks, bonds or "rights."

In this category come stocks, bonds, "rights," notes, "when issued" contracts. Two of these need some explanation. Stocks, bonds and notes are well understood because they are traded in both on the big Exchanges and through the investment houses. But "rights" and "when issued" contracts are not generally understood by the public.

"Rights" are just what the name indicates, a right to get something. Frequently when a corporation issues new stock, it wishes to record the existing stockholders, so it issues the right to its present stockholders to subscribe for new stock at the stated proportion. These rights are immediately given an appraisement by the market and trading goes on in them because many stockholders do not want to buy new stock, but the privilege they have been given is worth something—so they sell it in the open market. The "Curb" is the place for that. Immediately there is trading in these privileges which is reported in all the papers.

"Rights" also accrue to stockholders when convertible bonds are issued at times. Here the company wishes to float an issue of bonds and gives the stockholders preference. This privilege to subscribe at an advantageous price is worth something—hence the market is immediately created. These "rights" grow out of all such transactions.

The other peculiar form of so-called security indigenous to the "Curb" is the "if, as and when issued" contract. The explanation of this peculiar paper is just this—sometimes it is rumored that a company will issue some new securities. Immediately the word goes into the public print trading begins in these hypothetical securities. Of course some qualification must be made, because the company may never issue the securities, so the contracts are given the name "if, when and as issued," which covers the case nicely.

But this kind of a contract does not always apply to hypothetical securities; it many times applies to securities that are actually coming out, but long before even temporary certificates are printed the people begin trading in the securities. Of course it is known here just what the securities will be and all the different aspects of the bond, stock or note, but this phrase of four words takes care of the whole case properly.

As to the integrity of the contract between the parties, the brokers individually must look out for that. Years ago there were some very doubtful characters and practices to be found on the outside market, but the scandalous action of some was the straw that broke the "camel's back" and brought about a great purging. Today it is a very, very rare thing to have a contract of sale violated. The mere word of mouth between the men in the crowd is sufficient and it is so quickly done that the surprise is so few mistakes. There is very great honor in adhering to contracts.

"Curb" Stocks

As to the character of the securities that come out on the outside market, it must be said that they range from the very high class issues to the very bad mining stocks. You can buy the highest grade Standard Oil issues there and also the 5c. mining stocks that are worse than a gamble.

These are the facts. Every purchaser of stocks on the outside market should make his own inquiry as to the character of the issue. There are some which offer

excellent prospects of successful speculation. The information on many is not so easily obtained. Since the reliable brokerage houses will readily give a client the best information obtainable, there is little excuse for purchasing stocks of a doubtful or positively dangerous character.

The Curb Houses

Since so many of the stocks in the Curb trading are very low priced, and since they range from very good to very bad, so it may be said of the brokerage houses known as "Curb" houses. Fortunately there are only a few such houses where it is said that the money turned in by intending buyers of stocks is not turned into actual stock, but is "bucketed" against orders. That is to say, it is reported that in a few houses when a buyer sends in an order from a far away point, the stock to be carried on margin perhaps, a mere book record is made of the order and no stock is bought. Then if the purchasers would sell out when the price rises, the sell order is also entered, and if the house is honest to that degree, it will give the man the difference in profits. This is the process known as "bucketing." It is strenuously punished if ever found in a New York Stock Exchange house. In fact it has so seldom been done in this class of house as to be unmentioned in this connection.

Function of the Curb

From what has already been said it will be observed that the Curb is the place to go to sell a new security whose investment value has not yet been established. There are many securities traded in on the Curb that in time will prove to be of excellent investment character. The promoter of the company, if he can enlist enough interest, can make a market for his securities on the Curb, especially if it appears to have the elements of success. It is impossible to keep out the black sheep in this process. There may be some really bad ones, but there are a great number of good ones. Many of them will not pay dividends for a long time, but the purchaser of the stock must study this out himself beforehand.

The risk may therefore be very great in many stocks; the caution must therefore be the greater. The "Curb" is a thoroughly needful and very useful institution in our financial body. It gives a person with a company that has prospects a chance to enlist public interest, whereas he might shop for a year among the bigger financial houses and invariably be turned down.

Closing the Bucket Shops

The failure of a far-reaching "independent" wire house in Buffalo, following other failures of similar enterprises, marks the climax of a campaign which reflects great credit on the active administration of the New York Stock Exchange.

In the last big bull market, the illegitimate activities of the gambling fraternity who pretended to buy and sell actual stocks brought criticism and discredit on Wall Street. As a matter of fact, the nest of operators who have been trying to "do" the public have been making cities far from New York their headquarters. The fact that the presiding geniuses have been absolutely wrong in their judgment of the market has hastened their ruin.

Legitimate speculation has a real economic function. Pretty nearly everything worth while has been started on speculation. Christopher Columbus discovered America on a speculation. The United States bought Alaska as something of a speculation. But speculation should be projected only by those who can afford to speculate and on terms which offer some reasonable provision for unforeseen contingencies.

The bucket shops have no excuse for existence, because their activities are not expressed in the buying and selling of stocks. In determining a fair price, whether the commodity is wheat, coal or stocks, legitimate speculation performs a real public service. The bucket shop is a speculative parasite rendering no service to anyone.—*Odd Lot Review*.

Technical and Miscellaneous Inquiries

Poor Execution

C. D.—If Ray Consolidated sold at 25 on September 30 (and our records show that it did) and you had an order to sell at 24⅝ and the sale was not made, either there was some mistake about your order or your broker failed to execute it. If he reported a sale at 24⅝ on October 1, when the low was 25, you certainly have cause for complaint.

We suggest that you first write to your broker and ask for an explanation, and if that does not clear up the matter, that you lay your case before the Governing Committee of the Exchange. The Stock Exchange is doing everything in its power to see that the public receives a square deal and will give your complaint careful consideration.

A Privilege Must Be Exercised

Y. T.—When you own a put it is necessary for you to instruct your broker when you wish to exercise the privilege of putting the stock. If your put is good for thirty days at 71 for example, that means that you have the privilege of selling the stock at 71 at any time within the thirty days, but it is necessary for you to exercise this privilege. The put itself merely gives you the opportunity to do this whenever you desire within the thirty days or at the end of that time. You can place orders on your stock just as usual regardless of the put, whenever you desire.

Tax on Stock Sales

W. L.—The tax on stocks whose par value is specified in the company's charter is two cents on each $100 of par value sold. Where the stock has no specified par value, the comptroller of New York State has ruled that the tax shall be paid on the basis of $100 par value. Consequently, the amount charged you on Interborough common was correct. The tax does not apply on trustees' certificates such as Great Northern Ore.

Collateral Margin

F. B.—A stock which does not fluctuate much is very desirable in putting up security on brokerage accounts. If your margin fluctuates as well as the prices of your purchases, you can readily see that in the event of a severe decline in the market you might be placed so that your margins were no longer adequate.

Of course if the value of your securities deposited exceeds or equals the value of the purchased securities, it does not make so much difference, provided the securities deposited are of good quality.

The question of sufficient margin is one that lies with the broker. He can demand more margin at any time, and can even require a customer to take up the stock or transfer it to another brokerage house if he wishes. If the customer refuses to do either, the broker can sell the collateral provided he gives notice of his intention to do so, and he time and place of the coming sale. It is for the best interests of brokers to treat their customers with as much consideration as possible, and the broker usually waits as long as he can, and gives the customer every opportunity to meet the requirements before taking drastic action.

Selecting a Broker

How should I proceed in selecting a safe broker?—Inquirer.

We would recommend that you select a broker who is a member of one of the leading exchanges and whose methods are conservative—one who requires relatively large margins and who does not have a highly speculative clientele. It is desirable to select a brokerage house in some city near at hand but this is not absolutely necessary, as you can easily telegraph your orders to New York if you do not find a satisfactory broker nearer. Your bank or trust company will usually be ready to assist in selecting a safe broker, and as you are doubtless aware, The Magazine of Wall Street will answer any questions in regard to the reliability of brokers that you may care to ask.

Market Terms Explained

W. B.—We would suggest that you familiarize yourself with current speculative phraseology. "The A. B. C. of Stock Speculation," price 66 cents postpaid, is a brief and simple book giving you the necessary explanations.

A "stop order" means an order to buy a stock as soon as the price reaches a specified limit *above* the current market, or to sell when the price reaches a limit *below* the current market. It is chiefly used to prevent trades from running into a large loss, or if the trade shows a profit, to prevent it from showing any loss.

By "Long Pull Operator" we mean one who aims to catch the intermediate swings of the market running from 5 to 20 or more points in the active stocks; in other words, he is a speculator, but he aims to catch the long swings rather than the minor fluctuations.

"Fifty points protection" means a margin of $50 a share on a stock whose par value is $100 a share.

The Trend Letter gives advice to investors who buy stocks outright for cash and also to long pull operators and traders who operate on margin. We watch practically all stocks listed on the New York Stock Exchange and select those in which we think the chances for profit are the best. These are often some of the leading active stocks, but not necessarily.

UP AND DOWN WALL STREET

THE question, "Who are the big people behind the present bull market?" is one that has been asked many times in Wall Street during the last six months. The old-time speculative leaders were not the prime movers when the advance began after the reopening of the Stock Exchange last fall. The big banking interests had accumulated a great deal of stock at various times during 1913 and 1914, which they had no idea of selling except at very much higher prices. They still have practically all of these stocks. Throughout the first half of 1915 they were not heavy buyers except on sharp declines, when they showed a willingness to take the best issues on scale down.

A coterie of younger capitalists showed the ability to grasp new conditions more quickly and profitably than the veteran financiers. It was a situation that demanded the daring and initiative of young men. Some of these men were millionaires at the start and more of them are millionaires now. They saw the splendid opportunties in the war stocks and seized them while the veterans of the street were waiting cautiously to get a line on the "unprecedented" conditions.

* * *

Once prices got a good start upward, the public came in strongly and they are still coming in. But it was a different kind of public from Wall Street's old-fashioned conception of the public. The kind of traders that want to work on a shoe-string margin were kept out by the liberal margin requirements of brokers, who almost from the first demanded good protection on the war stocks. Smaller margins would have been gladly accepted on the rails, but these securities were not attractive to speculators.

The result is that, although a great volume of stocks has found lodgment in the hands of the public, all of these stocks are well protected. Brokers tell me that they have had no trouble in getting big margins on the war stocks. Buyers for the most part desired to take a safe stand and either deposited large margins without being asked to do so, or readily acceded to requests for more margin.

For one thing, the average outside operator is much better posted than ever before. There has been almost a revolution during the last ten years in the kind of information that is available to the public about the stock market. The "hurrah-boys-come-on-in" kind of market literature is very much out of date now, and is regarded with contempt by a public which has become very much more market-wise than ever before. Brokers send out more thoughtful and conservative market letters than in past years, the financial press generally is on a higher plane, and good (though by no means infallible) market services are available. The advance of Stock Exchange memberships to nearly $75,000 shows the results of the new methods have been satisfactory to brokers.

* * *

Within the last month, however, the influence of the veterans and of the big banking interests has been making itself felt. I learn that the concerted movement among leading brokers to increase margin requirements on war stocks still further several weeks ago, had its origin with certain well-known financial interests, from whom even a hint had big weight with the brokers. The necessity of keeping speculation within bounds was recognized, in spite of the fact that the banks still had plenty of funds which they were anxious to loan on good collateral.

Banking interests have slowly enlarged their holdings of selected stocks on the breaks, but there have been so few breaks that opportunities in this direction have been limited. In fact, the president of a bank which might be placed in the second rank among New York institutions, so far as size and influence are concerned, told me some time ago that bankers generally have not participated to any extent in the war speculation. He did not look upon this as a lost opportunity, however, holding that the very nature of their business requires of bankers a degree of conservatism which would prohibit their engaging

heavily in a movement of this character.

* * *

Among the men whom the present movement has brought to the front may be mentioned W. C. Durant, who has regained control of General Motors by the simple process of buying heavily at rapidly advancing prices and who is also the dominating interest in the new Chevrolet Motor Co. At current prices he has an enormous paper profit.

Charles M. Schwab has become more of a factor than ever before in the steel industry, but this has come about largely through the industrial success of that company. He was about the only man in the United States who was ready for the war and he has profited accordingly.

The purchase of the Wright Aeroplane Co. by Albert H. Wiggin and his associates brings a new man to the front. The entrance of Standard Oil interests into the steel industry via the Midvale combination is a notable event. I am told that Frick is taking no active part in the new deal, but that he has been a big buyer of U. S. Steel at various prices.

Speaking of the automobile industry, both Ford and John N. Willys are planning further additions to the capacity of their companies.

* * *

The shifting of a considerable outside interest from the war stocks into the rails has helped the brokerage houses by enabling them to get more railway stocks into their loans. They still have, of course, a big percentage of industrials, but with money as easy as it is now they will have no trouble in handling them.

There is accumulation of New York Central, Erie, Baltimore & Ohio, Union Pacific, Southern Pacific and some other rails, by interests generally accounted "good" who have missed or have been unwilling to engage in the war stock boom. Of course dividend returns on most of the rails are liberal at present prices.

Railroad men tell me that there is plenty of business in sight, but they lament the low rates and are very much puzzled where they are going to get money for improvements and new equipment. Some of them expect that the history of 1907 will repeat itself, when the roads had so much business that they could not handle it economically with the facilities available. Jersey Central is already pretty well snowed under with business. Heavy business may be expected to bring renewed talk of strikes and a falling off in the efficiency of railway employees. It always does.

With 15 per cent. of the railroad mileage of the country in receiverships, a turn in the other direction is overdue. Net income is showing a gratifying rise, but the traffic experts tell me that the same proportion of net to gross cannot be maintained when the gross gets heavier.

SECURITY, *income,* and *marketability*—these are the most sought for qualities in an investment. But all three cannot exist in a high degree in the same investment. An investment, to be thoroughly safe, cannot return a high rate of rental or interest at the same time obtaining a broad and active market, for such a market implies a competitive demand. Competition for a security, at once safe and of high yield, bids up the price to a point where the yield is lowered.

COTTON AND GRAIN

Irregularity in Cotton

By C. T. REVERE

WITHIN the course of the next week or so it seems likely that cotton again will work into the bullish position. The reasons for the hesitation displayed by the market at this time were set forth at some detail in the last issue of The Magazine of Wall Street. To recapitulate briefly it was stated that there came a time when speculative buying became exhausted and the market must show its ability to take care of actual cotton. These are the reasons for the hesitancy displayed by the market since early in October.

Up to the time this article is written the market has had a reaction of approximately 80 points or $4 per bale. The bears and the reactionist bulls expect a still further decline before the advance can be resumed. It is argued that the cotton market from the standpoint of its trade features has not had a test of its merit. Heretofore the buying has been almost entirely speculative. Speculators have bought contracts and speculators have bought spot cotton in the South.

As an example of this latter feature, it might be stated that instances have come to mind recently where shrewd Southerners who have bought cotton seed speculatively around $25 a ton, and sold out at $45 a ton, have been getting into the cotton market lately to buy spot cotton around the present level with the expectation of higher prices.

These buyers are speculators pure and simple. They are in the same class with the "outsider" who buys contracts on the Cotton Exchanges in the hope of reaping a profit. These speculative buyers of spot cotton do not use cotton and their purchases are always regarded as an element of weakness in a declining market. They hold firmly enough so long as the market is advancing, but they are likely to let go and cause a bad break as soon as the market shows weakness. Until spot holders have shown their strength in a real test, the situation so far as actual cotton is concerned is never believed to be without menace.

This season there has been more speculation in spot cotton than usual. Small operators who have been in the habit of taking "flyers" on the New York and New Orleans Cotton Exchanges have done less of this sort of trading than usual, owing to uncertainty over the United States Cotton Futures Act. Their speculations in spot cotton have consequently been larger than usual.

Ideas regarding the size of the crop are still widely at variance. There have been estimates around 10,000,000 bales, exclusive of linters, and it would not be at all surprising if some of the big crop prophets put the yield in excess of 12,000,000 bales. The market always has to discount these bearish estimates before it can turn its attention to the question of crop shortage. On the other hand, years of bumper yield the trade has to go through the usual process of discounting the estimates of certain authorities who believe that the crop is short or only of moderate size.

The Census report on the amount of cotton ginned prior to October 18, which was issued on October 25, was really conclusive of nothing It showed 5,713,000 bales ginned prior to October 18. This might mean a crop of 10,000,000 bales or so, and it would offer no proof that the yield was not as large as 13,500,000 bales. As a case in point it is well to refer to the seasons of 1905-1906 and 1906-1907. In 1905-1906 the amount of cotton ginned prior to October 18 was 4,990,000 bales and the total crop, including linters, according to the Census Bureau was 10,725,000 bales. In 1906-1907, however, the amount of cotton ginned prior to October 18 was only 4,931,000 bales, and the total crop, including lin-

ters, was placed by the Census Bureau at 13,305,000 bales, or approximately 2,600,000 bales more than that of the previous year.

Consequently it is apparent that the ginning up to October 18 furnishes no criterion of the yield. The largest percentage of the crop ever ginned to that date was 54.9 per cent, the record in 1909. It is doubtful if the percentage is as high this season although many staunch bulls contend that the percentage will run as high as 60 per cent. Up to the present writing there has been no killing frost and until this does occur, the trade is not likely to pay much attention to preliminary crop estimates.

From early in October until the middle of November, unless there are some strikingly bullish features, the market will be inclined to discount certain bearish factors, such as light export demand, weakness in foreign exchange and apathy on the part of American spinners. During this period the market is likely to get into an oversold state and when the final stage of discounting the crop shortage is reached, the technical position probably will be strong enough to lay the basis for a sharp advance.

At any rate it is well to bear in mind that in no recent season has the cotton market discounted the supply feature before the first of December, and frequently the climax of the market is not reached until after the middle of December. If the crop is short the highest prices are never seen until early in the Winter, and if the crop is a large one the lowest prices are seldom seen until the weight of the crop has exercised full pressure and the trade has given general recognition to the superabundance of supplies.

The Canadian Wheat Tariff

By P. S. KRECKER

A NEW ELEMENT has been injected into the wheat market within the last two weeks in the form of agitation in Canada for the removal of the export duty on wheat. The question of duties affecting trade between Canada and the United States has been a troublesome one on both sides of the border for many years. A double tariff wall stands between the wheat markets of these two countries at present. The United States levies an import duty on Canadian wheat of 10 cents a bushel.

This impost was 25 cents a bushel under previous administrations, but was reduced by the present Democratic administration to 10 cents and then is imposed conditionally only upon restrictions on the Canadian side. Canada for her part has erected a barrier against American wheat in the form of a duty of 10 cents. She rejected overtures from this government to remove that duty on condition that the United States place its wheat on the free list.

Canada, of course, assumed this attitude for the purpose of encouraging home industry. She feared that wheat from below the border would flood the Dominion and discourage domestic production. Instead of working out as expected, the Dominion tariff has had exactly the opposite effect this season. It is Canada which has a huge surplus of wheat of excellent milling quality instead of the United States. Reference is made, of course, to the American winter wheat.

The result is that, instead of affording protection to Canadian growers against a flood of American wheat, the tariff is actually interfering with their business and partially depriving them of a market. For while the tariff impedes trans-border business in wheat, it has not wholly prevented Canadians from disposing of some of their surplus in this country. But Canadian growers are demanding with some insistence that their government remove all restrictions.

This development has interested the

American wheat trade deeply. There naturally has been some apprehension lest, if Canada should let down the bars, Canadian wheat swamp our markets and seriously depress values. Latest estimates of Canada's crop place the total at 335,000,000 bushels. It is figured that domestic consumption and reserve for seeding the next crop will take 85,000,000 bushels of this total. The remainder of 250,000,000 bushels will have to be sold abroad. The fear is expressed that this surplus would be dumped into the United States and would break the market.

The fact is that, in all probability, Canada would not offer us enough wheat to prove a menace to values. The British government, in all probability, will buy the bulk of the export surplus from her American colony just as she is prepared to buy that of India and that of Australia. If she does, the quantity of Canadian product which would seek American markets would hardly prove to be large enough to seriously disarrange values. Besides the tariff bars have not been lowered as yet.

Wheat tariffs of Europe also are a subject of trade discussion. France has ordered the restoration of a heavy import duty on wheat and some traders immediately jumped to the conclusion that this will keep American wheat out of the French market. This conclusion is easily shown to be erroneous. As said, Great Britain already is arranging to buy the surplus of three exporting countries, namely Canada, Australia and India. Russian wheat is locked in. The only other important exporting country outside of the United States is Argentina, which will be able to supply only a minimum of European requirements. The burden of feeding Europe will fall almost entirely upon the United States, and France will be compelled to buy her wheat here.

The object of the French government in restoring the duty on wheat is easily discerned. The government is well aware of its dependence upon American supplies. It has arranged a large credit in this country for the express purpose, among others, of buying our wheat, but in view of the financial stress, France is anxious to control the market to the best of her ability and to prevent specualtion by importers which might put values dangerously high and impose further burdens upon the French people. By restricting private importation the government may succeed in preventing this, but that does not mean that it will not be required to pay market prices in the United States. American farmers are under no obligation to sell their wheat except at their own price. Their own financial circumstances will dictate largely what that price shall be.

Revised estimates of the import requirements of Greece place them at 16,000,000 bushels against 11,000,000 bushels last year, an increase of 45 per cent.

With Bulgaria plunged into war there is not the slightest possibility of Greece securing that wheat from the Danubian countries, while Russia is equally impossible as a source of supply. Greece is only one of various countries which must increase their importations this year. In fact, it may be stated that with the possible exception of Spain every European country which has access to foreign wheat will need more than it did last year.

The wheat market is feeling the weight just now of increasing supplies. Winter wheat is moving at a better rate although still far from normal, and the visible supply still is extraordinarily small. Looking ahead, we find that ideas of reduced winter wheat acreage are confirmed by private observers.* This reduction will not be as much of a factor in the immediate future as in the months to come, but it will count in the end. Farmers are holding a large percentage of their wheat, but they are in a position to do so comfortably under the operations of the federal reserve act. Meanwhile exports can be delayed, but they cannot be prevented.